FINANCIAL TIMES

Indian corruption
Blessing in disguise?
Page 13

Corporate greed
The decline of shame
Page12

Resolving conflicts
Why Europe leaves it to the US
Edward Mortimer, Page 12

Today's surveys
European postal systems
Conferences and exhibitions
Separate Sections

World Business Newspaper
WEDNESDAY FEBRUARY 14 1996

Record fines for French builders over price fixing

The French Competition Council imposed record fines of FFr388m ($77m) on 36 construction companies for price fixing and other anti-competitive behaviour as part of a crackdown on cartels. The main target of its research into the construction sector, which took five years, was the French conglomerate Bouygues, one of the country's largest companies. The council ordered it to pay FFr148.7m in penalties. Page 2

Deutsche Babcock plans disposals: Struggling German engineering group, Deutsche Babcock, plans to sell businesses with annual sales of DM1.6bn ($1.1bn) as part of an overhaul to improve profitability. The group said it might make the disposals through "US-style auctions". Page 15

Germany says Emu stability essential: Germany's central bank, the Bundesbank, said it might be preferable for European monetary union to be delayed than to start on schedule in 1999 without member countries having reached adequate economic stability. Page 14

Nato acts over war criminals: Nato is providing its troops in Bosnia with more information about suspected war criminals to increase the chance of catching them. Page 3

Buffett plans stock split: Warren Buffett's Berkshire Hathaway investment group has reluctantly put forward a plan which would make it easier for smaller investors to buy shares. Page 15; Lex, Page 14

Singapore bans five companies: Five international companies were banned from seeking state power contracts in Singapore after being implicated in a bribery scandal. Page 14

European car sales rise sharply: Europe's sales of new cars reached 1.16m in January, a 6.7 per cent increase over January 1995, helped by sharp rises in France and Germany. Page 2

Bruton ready to discuss Ulster poll plan:

Irish prime minister John Bruton (left) said he was ready to talk to his UK counterpart, John Major, about Britain's proposal for elections for Northern Ireland. Mr Bruton said the two premiers were in contact to work out specific measures to keep the peace process alive after last Friday's IRA bombing in London's Docklands which killed two. Page 8

Hyundai enters aircraft industry: South Korean industrial group Hyundai is to enter the aircraft industry by producing wings for the McDonnell Douglas MD95 100-seat airliner in a $1.1bn deal. Its main Korean rival, Samsung, also has aerospace ambitions. Page 7

CompuServe, the US-based consumer online information service, has reinstated access to all but five message-posting areas of the Internet that it cut off under an investigation of online pornography by the German government. Page 5

Leeson's new claim over Barings account: A book by former Barings trader Nick Leeson, jailed for his part in the UK merchant bank's collapse, claims he created his hidden trading account on the instruction of a controller at Barings' headquarters in London. The account was used to hide the £830m ($1.2m) in losses he incurred. Page 14

South China Morning Post Holdings, publisher of Hong Kong's leading English-language daily newspaper, launched a HK$1.15bn (US$148m) bid for property and media group TVE. Page 19

Russian minister's nationalisation call: Russian interior minister Anatoly Kulikov proposed a sweeping programme of nationalisation, including leading commercial banks, to help the cash-strapped federal government fill its coffers. Page 2

Italian cleared of 14 murders: An Italian court of appeal cleared a 70-year-old farm labourer of 14 killings attributed to a murderer dubbed "The Monster of Florence". Pietro Pacciani, convicted of the seven double murders in November 1994, had repeatedly protested his innocence.

Braveheart wins most Oscar nominations: *Braveheart*, the medieval epic directed by its star Mel Gibson, leads the field of Oscar nominations with ten. It will compete for best film against *Apollo 13, Babe, Sense and Sensibility* and Italian film *Il Postino*. Briton Emma Thompson was nominated for two awards: best actress and best adapted screenplay for *Sense and Sensibility*.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,605.2	(+5.05)
NASDAQ Composite	1,082.33	(-3.05)
Europe and Far East		
CAC40	1,983.33	(+15.66)
DAX	2,433.91	(+5.86)
FT-SE 100	3,747.6	(+21.0)
Nikkei	20,784.23	(-150.59)

■ US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	4.909%
Long Bond	99⅔
Yield	6.016%

■ OTHER RATES

UK: 3-mo Interbank	6½%	(same)
UK: 10 yr Gilt	99⅚	(99⅓)
France: 10 yr OAT	105.38	(105.12)
Germany: 10 yr Bund	99.42	(99.16)
Japan: 10 yr JGB	111.184	(110.997)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.75	(16.83)

■ GOLD

New York: Comex		
(Apr)	$405.1	(403.3)
London:		
close	$402.2	(402.9)

■ DOLLAR

New York lunchtime		
£	1.535	
DM	1.476	
FFr	5.07695	
SFr	1.206	
Y	106.6	
London:		
£	1.5334	(1.5309)
DM	1.4782	(1.4725)
FFr	5.0695	(5.0629)
SFr	1.206	(1.2019)
Y	106.965	(106.555)

■ STERLING

DM	2.2686	(2.2541)
Tokyo $ close:	Y 106.57	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira60	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr16	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 3.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (mfand)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	U.S.000			UAE	Dh12.00

Italy heads for early election as talks fail

President to be told parties cannot agree alliance plan

By Robert Graham in Rome

Italy moved towards an early election last night as the main parties failed to agree on a formula to back a new government headed by Mr Antonio Maccanico, an ex-senator.

The failure of Mr Maccanico in the ambitious project, to bring the centre-left and the rightwing alliance together to back a government committed to reform, came after 13 days of intense negotiations.

President Oscar Luigi Scalfaro has strongly resisted early elections, fearing these will do nothing to resolve Italy's chronic political instability. But such a move will now be hard to avoid.

Last night the main question was whether parliament would be dissolved immediately or be kept alive during the remains of the Italian presidency of the European Union which ends in June, with the hope the parties might find some common ground. In either case it means the Italian government will have little authority to steer the presidency.

It was announced last night that Mr Maccanico would inform Mr Scalfaro this morning of his failure to secure an agreement. He was entrusted with the task on February 1 after an agreement between Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), and Mr Silvio Berlusconi, head of the rightwing alliance, to postpone elections and back a government committed to reform the constitution.

Mr Lamberto Dini, the outgoing prime minister, has remained caretaker since he submitted his resignation on January 12. It is expected he will be asked by Mr Scalfaro to head a caretaker government until elections. A quick dissolution of parliament would mean a general election in April, since 45 days must elapse between the end of the legislature and the poll date.

The two main alliances bitterly attacked each other for failure to reach an agreement on the government. Mr D'Alema said: "Our position has always been coherent: either we have the reforms or we go to elections ... As the path to reforms is closed, then we go to elections."

The PDS leader, who staked his personal prestige on the formation of the government, singled out Mr Gianfranco Fini, the head of the rightist National Alliance (AN) as the main block on a deal. It was also Mr Fini who placed a veto on Mr Dini forming a new government last month.

But Mr Berlusconi also had much at stake, hoping to postpone elections for 18 months while his judicial problems were resolved. His trial has begun in Milan on charges of bribing tax inspectors looking at the books of his Fininvest empire.

A statement from Mr Berlusconi's alliance said last night: "The leader of the PDS has closed the door on all possibility that premier-designate Maccanico might have of forming a new government and we are profoundly displeased."

The president may yet try to find a formula to keep a government in place.

Italy's budget in squeeze, Page 2

Ex-Daimler-Benz chief bows to calls to quit board role

By Wolfgang Münchau in Frankfurt

Mr Edzard Reuter, former chairman of Daimler-Benz, has resigned from the company's supervisory board amid heavy pressure from Germany's financial establishment after the company's DM6bn ($4bn) loss in 1995.

Mr Reuter stood at the helm of Germany's largest industrial company between 1987 and 1995. The decision marks an end of an era dominated by a costly and controversial expansion drive into an "integrated technology concern", which culminated in the record loss last year.

The move is believed to have come amid pressure from inside the supervisory board, and underscores the change of direction the company has since taken under Mr Jürgen Schrempp, who succeeded Mr Reuter in May last year. There had been much speculation in the German news media about Mr Reuter's fate ahead of next week's scheduled supervisory board meeting.

Mr Reuter, who will be 68 on Friday, announced his resignation yesterday at a round table meeting with German businessmen, chaired by Chancellor Helmut Kohl in Bonn. He said his decision would take effect immediately, but declined to comment further.

Within the supervisory board Mr Reuter was a member of the powerful executive committee, which oversees the most important decisions taken by the company. His departure, however, will only have symbolic significance and is not likely to have much impact on the company's strategic direction, which already changed last year.

He was instrumental in the company's decision to buy AEG, the electrical engineering group, in the mid-1980s, and subsequently oversaw the company's drive into aerospace and software engineering. A disgruntled shareholder once famously described Mr Reuter as the biggest destroyer of capital in German postwar history.

The association for the protection of small shareholders, which asked for his resignation last year, welcomed the move.

The resignation also ends controversy over his smooth transition from the chairmanship of Daimler-Benz to a senior post in the company's supervisory board, which occurred at a time of growing public concern over German business ethics.

Mr Reuter, who is believed to have sought the chairmanship of Daimler's supervisory board himself, was particularly criticised for promising Deimler-Benz shareholders a profitable future shortly before his departure last May. Only a month later the company warned that it would make a loss this year.

Thumbs up: Senator Bob Dole celebrates his victory in the Iowa caucuses for the Republican presidential nomination

Picture: Reuter

Fall in US chip orders pushes indicator to 5-year low

By Louise Kehoe in San Francisco

The US semiconductor industry's key market indicator for January fell to its lowest level in more than five years as new orders for memory chips declined.

The semiconductor "book-to-bill ratio", a measure of the value of new orders against shipments, fell to 0.93 last month, compared with 1.11 a year ago, the Semiconductor Industry Association trade group reported. The drop in the closely watched market indicator was a surprise. Wall Street analysts expected a ratio of about 1.05 for January.

Unusual factors appear to have slowed new semiconductor orders, particularly in the memory chip segment over recent weeks.

In particular, growth in personal computer sales during the Christmas season did not live up to overheated expectations. Although PC sales were up more than 20 per cent in the fourth quarter of 1995 versus the same period last year, some analysts had been expecting growth of over 30 per cent.

While raising concerns about slower growth in the US semiconductor market, the drop does not indicate any significant weakness in demand, industry analysts said.

It now appears that PC manufacturers and manufacturers of PC circuit boards built up large inventories of memory chips in anticipation of higher sales growth.

These companies now have excess stocks of components and are adjusting their orders accordingly.

At the same time, a shortage of Dynamic Random Access Memory (D-Ram) chips, which has plagued the PC industry for the past year, appears to be easing and prices have declined over the past few weeks.

Industry analysts believe some PC manufacturers have now decided to adjust inventories of memory chips to a two-week supply instead of the four-week supplies of parts they were maintaining.

The January book-to-bill ratio reflects these trends, with orders down sharply from a record level of $5.01bn in December to $4.16bn in January, a decline of 16.8 per cent. The January figure

Continued on Page 14
Editorial Comment, Page 13

Unconvincing victory for Dole in Iowa poll

By Patti Waldmeir in Des Moines and Jurek Martin in Washington

The Republican presidential nomination battle moved to New Hampshire yesterday after front-runner Senator Bob Dole failed to win a convincing victory in Monday's Iowa caucuses.

Iowans gave Mr Dole, the majority leader, 26 per cent, ahead of conservative commentator Mr Pat Buchanan's 23 per cent and former Tennessee governor Mr Lamar Alexander's 18 per cent. Fourth was Mr Steve Forbes, the millionaire publisher, with 10 per cent, just ahead of Senator Phil Gramm of Texas.

Mr Dole hailed his Iowa victory as "the first step to the White House", but subdued aides and campaign workers were obviously disappointed. His 26 per cent was the lowest winning percentage in Iowa caucus history and was 12 percentage points less than he got in 1988.

A gleeful Mr Buchanan, boosted to a strong second-place showing by the religious right, taunted his rival: "I think Bob Dole is hearing footsteps today."

Exit polls showed that 40-50 per cent of those who said they supported the religious right voted for Mr Buchanan in Iowa, compared with only 19 per cent for Mr Dole, following heavy mobilisation by Christian conservatives in the last days and hours of the

The real winner ......Page 4
Editorial Comment ......Page 13

Iowa campaign. But he also appealed to the economically insecure, with his America-first trade policies and his economic nationalism.

Although Iowa's export-orientated farm economy would doubtless suffer under protectionism, Mr Buchanan's opponents were unable to exploit this fact to dent his support.

Mr Dole appeared to have suffered from low voter turnout, with only 7 per cent of registered voters, some 100,000 people, turning out for the caucuses. This was only double the attendance at the Democratic caucuses, in which President Bill Clinton was unopposed.

The backlash against negative advertising appeared to have most benefited Mr Alexander, who had eschewed such tactics and yesterday declared that the race had been whittled down to himself and Mr Dole. He appealed to Iowa's essentially moderate electorate as a less radical alternative to Mr Buchanan, and more likely than Mr Dole to beat Mr Clinton in November.

Mr Forbes, who 10 days ago appeared close to upsetting Mr Dole, insisted that his campaign was still on track, predicting a third place finish in New Hampshire, a notoriously tax-averse state likely to be more receptive

Continued on Page 14

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

French construction cartels fined $77m

By Gillian Tett in Paris

The French competition council yesterday imposed record fines of FFr388m ($77m) on the construction industry for price fixing and other anti-competitive behaviour in recent public sector projects worth over FFr10bn.

The council accused 36 French companies of creating cartels for contracts ranging from the TGV high-speed railway to the new Normandy suspension bridge over the Seine.

The fines mark one of the first serious attempts by the council, which was set up in 1987, to act against cartels. The council has hitherto refrained from becoming involved in any high profile cases.

"This is the most important case we have dealt with," the council said yesterday. The council is investigating a number of other sectors, including telecommunicatinns and electricity. However, its work is proceeding slowly, not least because it has only 20 full-time investigators.

The main target of its research into the construction sector, which took five years, was the French conglomerate Bouygues, one of the country's largest companies. Yesterday the council ordered it to pay FFr148.7m in penalties. Operations at Bouygues are already under scrutiny by French magistrates following the announcement two months ago that Mr Martin Bouygues, group chairman, was being investigated for alleged corruption.

Last month Bouygues announced that net earnings, excluding provisional items, were about FFr400m in 1995, although a series of exceptional provisions had caused it to record a FFr4bn loss.

Bouygues yesterday reacted angrily to the decision and said that it would be appeal against it.

The company complained that the council had used too high a turnover figure as its basis for calculating the size of the fine.

The other fines imposed were far smaller: two construction groups, Entreprise Industrielle and Campenon Bernard, were each fined more than FFr30m, while another two – Quillery and Spie Batignolles – faced fines of nver FFr20m.

The council said that the scale of the fine on Bouygues reflected both the size of the company and the fact that the group had taken part in most of the cartels uncovered.

Some of these cartels were associated with the construction of a series of bridges from 1988 onwards.However, some of the cartels were also extended and associated with the extension of the TGV in projects estimated to be worth some FFr11bn.

According to the council, the largest companies decided in 1988 to form themselves into four groups, in order to ensure that each group got a quarter of the work allocated.

They then cut a series of deals to divide the separate TGV projects in the following years. When one Italian group, Condotta d'Acqua, which was outside the cartel, attempted to bid for a project it was squeezed out.

Italian budget feels political squeeze

Italian budgets have a habit of being in need of adjustment almost the moment they come into force.

This seems to be the case with the 1996 budget. That is the opinion of Mr Antonio Fazio, the governor of the Bank of Italy. Last month Mr Fazio was unambiguous in stating before a large audience of bankers and foreign exchange dealers the need for additional budgetary measures in the first half of this year.

The central bank has stuck to its guns. However, Mr Lamberto Dini, the outgoing prime minister, insists his 1996 budget requires no alteration.

The situation is not without irony. When Mr Dini took office last January, his first move was to introduce an emergency package of measures to find L20,000bn ($12.8bn) through increased taxes and spending cuts to make up a shortfall in a budget he had endorsed as treasury minister. The package proved vital in ensuring the 1995 public sector borrowing requirement was held down to L130,000bn, equivalent to 7.5 per cent of gross domestic product.

The aim of this year's budget, approved at the end of December, and the rationale for Mr Dini holding on to office throughout last autumn, is to reduce the deficit further to 5.9 per cent of GDP. This is in the macro-economic framework of bringing the deficit down to 3 per cent of GDP by the end of 1997, and so align Italy's public finances closer to the convergence criteria of Maastricht.

Mr Dini himself conceded late last year that the current budget was inadequate when he said Italy would need to introduce a package with savings and new revenues of L70,000bn in 1997 to bring the budget deficit within the Maastricht criteria on time – double the size of this year's adjustment.

This figure has now become the rough guide for the parameters of the 1997 budget. But no one has yet suggested how this huge sum is to be found, least of all backers of the new government of the prime minister-designate, Mr Antonio Maccanico.

The outgoing economic team argues that Italy has now embarked on a virtuous path with a strong primary surplus in the budget (receipts excluding debt service), continued good growth of around 3 per cent and inflation due to fall to 4.5 per cent and below. In response, the lira has recovered all the ground lost last year and stands to strengthen further.

Government officials maintain that the Bank of Italy will be obliged to lower interest rates from the current high of 9 per cent. A rate cut in turn will have a cumulative beneficial impact on the burden of debt service – every percentage point bringing savings over a two-year period of close to L15,000bn. This, however, will only mitigate in part the need for a tough 1997 budget.

Accordingly, the Bank of Italy wants clear signs that inflation is coming down and would like to measure the trend over the first quarter.

At the same time, officials worry about two other unpredictable elements.

The first is the speed of the programme of privatisations, and the extent to which the treasury will be able to benefit from the proceeds. Because of parliamentary blocking tactics the programme is behind schedule.

The second centres on how the government will tackle the 1994 constitutional court sentence ordering the payment of pension arrears now worth some L32,000bn.

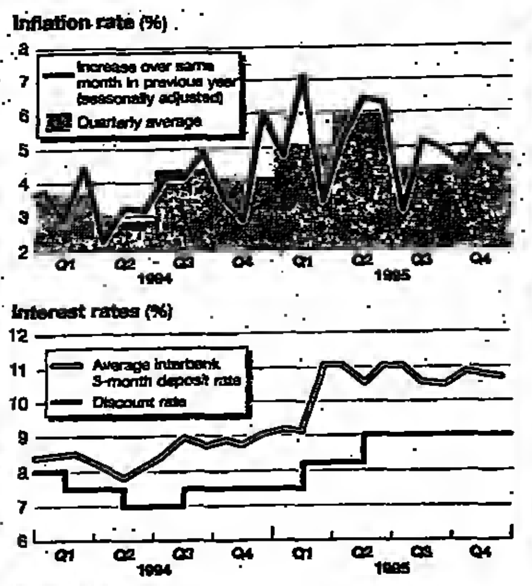
Because of these concerns, the central bank believes it is wiser to spread the load of the 1997 budget, bringing forward some of the measures to find L15,000bn-L20,000bn by May.

It will be interesting to see whether the new government heeds the bank's advice or adopts a more political stance. With talk of postponing Emu, the politicians might be tempted to lessen the shock of greater budgetary discipline.

Robert Graham

Outgoing prime minister Lamberto Dini: insists his 1996 budget requires no alteration

Looking at things differently: which route to a smaller deficit?



Source: Bank of Italy

Bank of Italy governor Antonio Fazio: foresees need for additional measures within months

Surprise rise in new car sales in Europe

By John Griffiths in London

Europe's sales of new cars substantially outperformed industry expectations in January, with sharp rises in France and Germany lifting total registrations to 1.16m, a 6.7 per cent increase compared with the opening month of 1995.

However the industry is taking a cautious view of prospects. It is projecting total growth of 3 per cent or less this year, as a result of continuing high unemployment, economic uncertainty and high debt levels in many European countries.

The upturn was led by France, where registrations jumped year-on-year by over 18 per cent. An 11.5 per cent year-on-year rise in Germany, Europe's largest single market, was also much higher than the industry had been expecting.

The overall European picture remains varied, however, with registration increases being recorded in 12 of the countries monitored and falls in five.

January saw Volkswagen group further strengthen its grip on the leadership of the European market, with a 16.5 per cent jump in registrations of Volkswagen-badged cars.

Fiat also made a flying start to the year, leap-frogging General Motors, Peugeot/Citroën and Ford to take second place in this year's registrations league table. Its investment in new models for the Alfa-Romeo subsidiary is also paying off. Alfa registrations were a third up on last January.

The launch of the new Peugeot 406 range also gave a sharp boost to the Peugeot/Citroën group. Notable among last month's "losers", however, were BMW, whose registrations were 16 per cent lower, and Volvo, which suffered a 27 per cent slump.

While Japanese manufacturers as a group slightly outperformed the market overall, by far the biggest inroads were made by South Korean manufacturers, whose registrations soared by 76 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS January 1996

	Volume (Units)	Volume Change (%)	Share (%) Jan 96	Share (%) Jan 95
TOTAL MARKET	1,163,100	+6.7	100.0	100.0
MANUFACTURERS:				
Volkswagen group*	186,920	+13.5	16.1	15.1
– Volkswagen	131,709	+16.5	11.3	10.4
– Audi	27,869	-0.5	2.4	2.6
– Seat	21,778	+11.3	1.8	1.8
– Skoda	5,564	+45.4	0.5	0.4
Fiat group†#	155,850	+12.1	13.4	12.8
– Fiat	122,400	+11.6	10.5	10.1
– Lancia	16,900	-1.5	1.5	1.6
– Alfa Romeo	16,200	+35.5	1.4	1.1
General Motors** #	148,881	+5.3	12.8	13.0
– Opel/Vauxhall	143,031	+6.1	12.3	12.4
– Saab	5,173	-1.5	0.4	0.5
Ford group#	140,922	+0.2	12.1	12.9
– Ford	139,301	+0.3	12.0	12.7
– Jaguar	1,691	-8.7	0.1	0.2
PSA Peugeot Citroën	137,539	+6.6	11.8	11.8
– Peugeot	82,748	+10.9	7.1	6.8
– Citroën	54,791	+0.6	4.7	5.0
Renault	114,017	-0.6	9.8	10.5
BMW group	62,378	-9.9	5.4	6.3
BMW	30,516	-18.6	2.6	3.4
Rover	31,862	-2.3	2.7	3.0
Mercedes-Benz	41,918	+8.0	3.6	3.6
Volvo	15,657	-27.5	1.3	2.0
Nissan	32,430	+12.6	2.8	2.6
Toyota	25,463	-2.4	2.2	2.4
Honda	18,387	+9.0	1.6	1.5
Mazda	15,283	-2.2	1.3	1.4
Mitsubishi	11,097	+10.5	1.0	0.9
Total Japanese	120,922	+9.5	10.4	10.1
Total Korean	17,000	+74.4	1.5	0.9
MARKETS:				
Germany	275,000	+11.5	23.6	22.8
United Kingdom	191,800	+0.3	16.5	17.5
France	184,500	+18.3	15.9	14.3
Italy	206,200	+2.6	17.7	18.4
Spain	56,100	+8.9	4.8	4.7

*VW holds 70 per cent and management control of Skoda.
†Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Bonn compromise on 'humanisation of work'

Peter Norman analyses the deal on early retirement

Faced with record unemployment and a burgeoning gap in state pension funds, Germany's government, employers and trade unions sought the traditional answer to their problems – through consensus.

The agreement on limiting early retirement, reached late on Monday after talks chaired by Chancellor Helmut Kohl, is just the latest sign that last week's shock news of 4.16m unemployed has triggered a closing of ranks in the German establishment. Last Thursday's parliamentary debate on unemployment and government policies to halve the jobless total by the year 2000 revealed a narrowing of differences between the Bonn coalition and the opposition Social Democrats (SPD).

Later that day, when Mr Kohl met state premiers to discuss their opposition to government plans to cut the solidarity tax (the levy that helps finance eastern Germany), the tone was moderate with the two sides setting up joint working groups.

Yesterday, Mr Norbert Blüm, the labour minister, oozed satisfaction that consensus to phase out early retirement was reached with unexpected ease the night before. The unions and employers had dropped long held objections to his plans to replace early retirement as a means of combatting unemployment by part-time working before retirement.

Mr Blüm hailed Monday's compromise as "a contribution towards the humanisation of work".

Instead of early retirement for redundant employees, which has driven the state pension and unemployment funds into financial crisis, trade unions and employers have agreed to try and create lots of half-time jobs for people over 55. These will be subsidised by the federal labour office. It will top up part-time employees' incomes to around 70 per cent of their previous net and maintain their pension contributions at 90 per cent of previous levels. In return, employers must fill every full-time job made free with an apprentice or an unemployed person.

> The labour minister said that big business made citizens contributing to their pensions pay for mass redundancies

To ease the strains on the pension system, the government will stop the automatic granting of pensions at 60 to the unemployed. Its hope is such people will qualify later for a pension after part-time working. The age for obtaining a full pension will rise to 63 in three annual steps from 1997.

Retirement at 60 will entail a loss of some pension income. This reform will not apply to those who already have negotiated early retirement at a future date. But Mr Blüm predicted it would save the pension system some DM17bn ($11.4bn) by 2003.

Earlier this month, he complained that early retirement was a ruse by big business to make citizens contributing to their pensions pay for mass redundancies.

Every 100,000 persons taking early retirement cost pension funds DM12.7bn and unemployment insurance DM9.2bn, putting upward pressure on contributions.The companies themselves paid just DM1.5bn.

Monday's agreement will take time to have an effect on Germany's high non-wage labour costs, which are seen as a huge competitive handicap. Mr Blüm warned that the state pension system would only feel the savings in 1998, by which time Germany will have had to cut its public sector deficit to 3 per cent of GDP to meet the Maastricht criteria for economic and monetary union in 1999.

Editorial Comment, page 13

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German abattoirs want own cartel

By Cordelia Becker in London and Michael Lindemann in Bonn

Leading slaughterhouses in Germany hope to create a special cartel because of a prolonged slump in beef consumption caused partly by persistent fears about bovine spongiform encephalopathy, or mad cow disease.

Several of them, representing more than half the German market, held talks with the cartel office last Thursday and are expected to follow up with more detailed plans.

The Berlin-based cartel office can approve such special cartels if an "enduring fall in demand" for its products can be proved. An official at the office said that a temporary economic slowdown was not sufficient but that the scare caused by BSE – and the resultant fall in demand – might be cause for such a cartel.

The German Cattle Breeder's Federation (ADT) estimates that beef consumption fell 10 per cent in 1994 because of scares about BSE and a further 5 per cent last year.

"The whole industry is currently in a structural crisis," said Mr Herbert Wüst, chairman of the Moksel group, a leading meat processor. "Almost no big company in this business makes money. The time for stand-alone solutions is over." The cartel would set a general production ceiling and would allocate individual limits which would be gradually reduced.

The cartel office warned that the companies involved must first present a plan to cut capacity in the industry and that at least 60 per cent of all slaughterhouses would have to take part. "The companies now have to decide if they can agree on a proposal which we can approve," an official said.

Although only four cases of BSE have occurred in Germany, compared with about 150,000 in Britain, the disease is a subject of much discussion. "In comparison with other countries there is a real BSE hysteria in Germany," says Mr Klaus Hühne, head of the German Meat Association.

Three German states said last week they would forbid the import of British beef after a European Union guideline on the subject expired. Mr Horst Seehofer, health minister, has told the states, one of which holds elections next month, that the import bans are a "sham solution", because the movement of beef within the EU cannot be controlled to such an extent.

Cartels designed to combat a slump in demand for particular goods have only been created twice before, both during the 1980s to counteract falling sales of construction materials. One cartel lasted five years, the other six months.

The Federation of German Farmers, says slaughterhouse capacities can be cut 20 per cent over the next five years if the cartel is approved. About 17 of Germany's biggest slaughterhouses, representing more than 50 per cent of the industry, have indicated that they want to join.

The European Commission has sent a warning to the Bonn government that it has one month to revoke the ban on British beef imports imposed by five of Germany's federal states, writes Lionel Barber in Brussels.

Bavaria, Rhineland-Palatinate, North Rhine-Westphalia, Saarland and Brandenburg banned British beef because of fears of bovine spongiform encephalopathy, or mad cow disease. But the Commission argues that the action is a clear breach of internal market rules which prohibit unilateral action against products from another EU member state.

Under a so-called "pre-infringement" procedure, the Commission is asking Germany to provide a full explanation. The second step would be a "reasoned opinion" setting out why the ban infringes EU law, to be followed by a warning that Germany could face the embarrassment of being taken before the European Court.

EUROPEAN NEWS DIGEST

Italian mobile phone row rages

Italy's two rival mobile telephone operators failed to resolve a dispute over a network accord regulating the country's GSM digital service which was meant to take effect yesterday.

Talks were continuing last night at the communications ministry between the state-controlled Telecom Italia Mobile and Omnitel Pronto Italia, an international consortium which won the country's second GSM licence and launched a commercial service in December. TIM has refused to provide Omnitel with "roaming" – temporary use of its network – because it rejects Omnitel's claim that its own network now covers 40 per cent of the country, a condition of the accord.

TIM also claims that national "roaming" would present technical problems which might make interconnection of calls difficult. "Roaming" is also part of a package agreed in principle between the Italian government and the European Commission to compensate Omnitel for discrimination over the terms of the licence. Omnitel earlier this week stepped up the pressure on TIM by altering its tariff structure and reducing prices in some user categories. *John Simkins, Milan*

Spain seeks move on terrorism

Spain has called an extraordinary meeting of the Schengen Convention committee for February 21 to deal with the fight against terrorism, the Spanish secretary of state for European affairs said yesterday. Spain's request comes on the heels of a row with Belgium over the fellow European Union member's failure to extradite two people suspected of collaborating in terrorist activities. Last week the Spanish government said it would no longer enforce two articles on extraditions and co-operation between national courts under the Schengen accord.

The growing dispute between the two countries threatens the solidity of the one-year-old treaty among EU members, which is designed to allow free movement of people across borders. Participating countries dropped internal border controls last July 1 and promised to co-operate with members' courts to prevent free movement of criminals. *Reuter, Madrid*

Court ruling on maternity pay

Women on maternity leave are entitled to a pay rise awarded before or during their time off work as a result of pregnancy, according to a ruling by the European Court of Justice published yesterday. The ruling arose out of a sex discrimination case brought by women health workers in Northern Ireland. They complained that their pay had been cut in real terms as a result of a pay deal struck during maternity leave in 1988.

The original action was brought against the Department of Health and Social Services, as well as the northern, eastern and southern Health and Social Services boards in Northern Ireland. But the case was heard in the courts before the passage of a 1992 EU directive which offers protection to the health and safety of female workers, especially before and after giving birth.

The Luxembourg-based Court of Justice said that the benefits to be paid during maternity leave were a matter of national legislation. The amount payable could not be so low as to undermine the purpose of maternity leave, but this did not apply to the Northern Ireland health workers' case. *Lionel Barber, Brussels*

Moldova woos foreign investors

The Moldovan government has invited foreigners to take part in tenders for controlling stakes in 41 companies, a top government official said yesterday. "On March 1 we shall announce terms of the forthcoming tenders and initial prices of the 41 companies to sell them to strategic investors this year," Mr Ceslav Ciobanu, privatisation minister, said. Local investors so far have bought only 45 companies out of 165 offered by the government at cash auctions, contributing 20m leu ($4.4m) to state coffers. Foreign investment in Moldova is currently estimated at $50m.

The 41 companies include hotels in central Kishinev, the Farmaco pharmaceutical company, food and light industry enterprises, cement and cardboard factories and the Alfa television factory. The government would also soon adopt the mechanism permitting foreigners to buy the land adjacent to companies located in urban areas, Mr Ciobanu said. *Reuter, Kishinev*

Romania-Hungary talks resume

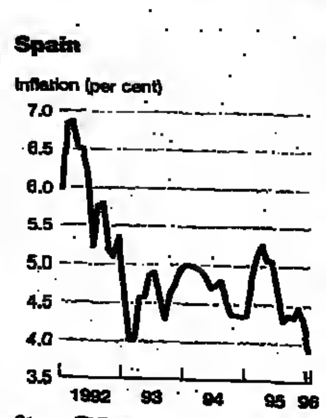
Romania and Hungary agreed yesterday to resume talks at the begining of March on a basic political treaty likely to boost their chances to join the European Union and Nato as full members. "We agreed to resume talks on the reconciliation initiative later this month... and on the basic treaty at the beginning of March," Mr Ferenc Somogyi of the Hungarian foreign ministry said at the end of a two-day visit to Romania. Bucharest and Budapest have been unable to agree to a post-communist treaty putting aside old grievances, mainly over the Romanian province of Transylvania, home to a large Hungarian minority. *Reuter, Bucharest*

Kulikov urges nationalisation

Mr Anatoly Kulikov, the Russian interior minister, yesterday proposed a sweeping programme of nationalisation to help the cash-strapped federal government fill its coffers. In an interview with the Russian news agency Interfax, Mr Kulikov said the nationalisation scheme should target leading commercial banks and partially privatised companies including Gazprom, the giant monopoly natural gas producer, Lukoil, Russia's most powerful oil company, Avtovaz, the car manufacturer which produces the Lada, and Most bank, one of Russia's leading private banks. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Spanish inflation falls to 3.9%



Source: FT Extel

Spain's year-on-year headline inflation has fallen to 3.9 per cent, down from 4.4 per cent at the end of December. The fall, which was greater than the markets had anticipated, brought the inflation rate to its lowest level since 1969.

The good performance was helped by a freeze in electricity prices and the dilution of 1995 VAT rises. Mr Pedro Solbes, the economy and finance minister, said Spain had now entered a low inflation period and that the inflation could fall to 3.5 per cent, the 1996 target of Spain's Emu convergence programme, as early as April. Underlying inflation also fell further than expected to 4.3 per cent, down from December's year-on-year rate of 4.8 per cent. Registered unemployment edged up in January, with 44,912 more unemployed than in December and brought the total number of registered jobless to 2.421m, 15.42 per cent of the workforce. Officials said unemployment would fall this year as some 150,000 jobs were created. *Tom Burns, Madrid*

■ Consumer prices in the whole of Germany rose 0.1 per cent in January from December and were up 1.5 per cent year-on-year.

■ The Swedish central bank yesterday cut its key repo rate by 15 basis points to 8.30 per cent. This was the third cut this year.

■ Finland's GDP at market prices rose 4.4 per cent in 1995, the same pace as in 1994.

Today's vote expected to back greater restriction on broadcasting content

MEPs set for showdown with media

By Caroline Southey in Strasbourg and Emma Tucker in Brussels

The European Parliament is heading for a showdown with national governments and the media industry over plans designed to curtail the freedom of broadcasters and place curbs on new "superhighway" services.

The parliament is today expected to vote in favour of amendments to the "television without frontiers" broadcasting directive to impose greater limits on broadcasting content than the legislation adopted by the Council of Ministers last year.

Backed by the majority of French MEPs of all political persuasions as well as the socialist bloc, the parliament appears set to approve most of the amendments tabled by its cultural committee.

The European People's party, the second largest bloc in the parliament, has tabled a number of counter-amendments in an attempt to water down some of the proposals.

The committee's amendments would force general content television channels to screen at least 51 per cent European-made programmes, a quota at present applied flexibly. The committee wants the quotas to be enforced by "legally effective means".

The committee also wants programmes such as chat-shows exclnded from the calculations on European content. Operators of theme channels, such as movie or cartoon services, would not have to comply with the quota, provided they invested 25 per cent of their programming budget in European productions.

Ms Luciana Castellina, chair of the parliament's cultural committee, said the quotas were necessary not because "it is Europeans against Americans, but big against little."

An incentive was needed for European production because of the "vicious circle" created by showing small children only American heroes. "This is what they will grow to like," she said.

She dismissed suggestions that quotas would lead to a trade row with the US. "The Gatt round agreed rules of the global market could not apply to culture and an exemption would be built in."

The amendments also seek to place restrictions on the distribution of new "superhighway" services by extending the legislatioo to services such as video on demand.

The council of ministers decided last year that new services should be excluded from the legislation.

Further changes include extending present rules on advertising to tele-shopping, and that "legally effective measures" should be taken to prevent advertisements heing broadcast during children's programmes which are "detrimental to them morally or psychologically".

The amendments have horrified the media industry which believes they could stifle innovation in broadcasting at a time when new technologies are allowing traditional broadcasters to experiment with new services, such as video on demand, as well as restricting important advertising revenue.

"The parliament is adopting a completely emotional and irrational stance on this issue," said Ms Soumé Wade, general secretary of the Association of Commercial Television in Europe, which represents almost all private broadcasters in the EU.

The parliament's decision still faces scrutiny by the Commission and Council, after which MEPs will have the opportunity to vote on the issoe again.

If, after the second vote, common ground cannot be found, the current legislation prevails.

Austria to end anonymous trading accounts

By Eric Frey in Vienna

Austria will relax its strict bank secrecy laws by abolishing anonymous securities trading from July 1, Mr Viktor Klima, finance minister, announced.

The long-awaited move will bring domestic regulations in lina with standard international practices and is designed to prevent insidar dealings and money leundering.

Mr Klima reacbed formal agreement with the beads of the big banks to phase oot anonymons secnrities accounts, which permit investors to huy or sell stocks and bonds without presenting any proof of identity.

Invastors will still be allowed to keep or sell anonymous holdings after July 1, bnt they must disclose their identity wben they open new accounts or purchase securities through existing accounts. This should evoid a sudden sell-off that could depress the market, banking experts said.

Anonymons savings accounts, where most small savings are beld, will not be touched, Mr Klima said. They are very popular, even though they offer oo advantage to owners. Interest is eutomatically taxed at 22 per cent.

The popular anonymous savings accounts, where most small savings are held, will not be affected

Austria is the only European country that permits anonymous accounts. They are mostly used hy legitimate investors, but are also seen as the main conduit for insider trading and parking illegal funds from abroad.

The right to anonymity is limited to Austrian citizens, but anyone who speaks German finently can open such accounts at an Austrian bank branch. This has attracted illegal funds from Germany and Italy, though actual amounts are not known.

Italian law enforcement officials have repeatedly blamed Austrian banks for accepting illicit money from organised crime and tax evaders.

According to industry estimates, two thirds of all securities accounts in Austria are anonymous, but most are quite small and beavily concentrated in bonds. Some 80 per cent of all securities are believed to be held in named accounts.

The abolition of anonymous securities accounts has beeo expected since Austria joined the European Union in Jannary 1995. Bankers hope that it will improve the reputation of the Vieona stock market, which is believed by many to be rife with insider deals.

The new rules will make it easier to investigate insider trading, said Mr Gerhard Litzka, spokesman for the Austrian justice ministry. International investors have complained they are denied a level playing field by the big banks, which control tbe stock exchange and most trading and oew issue activities.

Nato updates troops on war criminals

By Paul Wood in Belgrade and Bruce Clark in London

Nato commandera are providing their troops in Bosnia with more information about suspected war criminals to increase the chance of catching them, Mr William Perry, the US defence secretary, said yesterday.

The move is part of a continuing effort by the US and its allies to prevent the issue of war crimes derailing the Bosnian peace process.

Mr Perry said as part of a "tactical change" the 60,000 members of Neto's mission in Bosnia would receive photographs and other details of 44 Serbs and seven Croats who the UN war crimes tribunal in The Hague wants to try.

But the defence secretary, speaking in Zagreb, made it clear Nato stood by its pledge oot to engage in manhunts for the suspects. Nato troops are obliged by the Dayton peace eccord to detain the wanted men if the opportunity arises, but oot to search for them.

The Hague tribunal, meanwhile, said it would decide "within weeks" whether to indict or release two senior Bosnian Serb army officers – both alleged by the Sarajevo government to be war criminals – who were flown to The Hague on Monday.

The arrest of the two officers, General Djordje Djukic and Colonel Aleksa Krsmanovic, by the Bosnian authorities last week triggered a furious reaction from the Serbs, who cut off contact with Neto and the Sarajevo government.

Mr Richard Holhrooke, tha US envoy, secured a promise from the Bosnian government that it would make no further arrests without the approval of The Hague. He also reaffirmed the US commitment over prosecntion of war criminals.

It was unclear last night how exactly the Serb sida would react to the deal made by Mr Holbrooke, though it was clearly unhappy. A senior official in Pale, the Bosnian Serb stronghold, said the despatch of two senior Serb officers to The Hague was a "bad omen" for peace.

The Bosnian Serbs also served notice that they would refuse to attend arms control talks which are due to take place later this week in Vienna.

Continuing western concern about the Balkan peace process was underlined yesterday hy an announcement that Mr Malcolm Rifkind, the UK foreign secretary, would visit Slovenia, Bosnia and Albania next week.

British officials said that in Bosnia he wanted to assess the civilian reconstruction effort which has heeo overseen hy Mr Carl Bildt, tbe former Swedish prime minister.

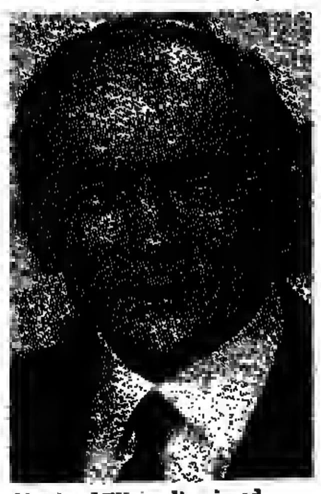
US officials have criticised Mr Bildt for proceeding too slowly, while their European counterparts have complained that the mediator has received scant support from Washington or any other non-European capital for his Herculean task.

Holbrooke: reaffirmed US commitment on war criminals

French naval yards' future put in doubt

By David Buchan in Paris

The French government plunged further yesterday into the political minefield of restructuring the country's arms industry by publishing a Defence Ministry report highlighting the problems of low productivity and falling orders in the state-owned naval shipyards.



Charles Millon: dismissed report of huge cut in army

The report, prepared by a committee headed by Mr Henri Conze, chief of French defence procurement, stopped well short of any call for the privatisation of the Direction des Constructions Navales (DCN), which employs 25,000 directly and another 5,000 indirectly and constitutes the largest ship-building force in Europe.

Mr Charles Millon, the defence minister, promised full consultation with DCN workers, their MPs and unions before the government decided what remedial action to take in early summer. In planning changes at DCN, he said he would avoid the example of Giat, which, like the DCN yards now, was a series of Defence Ministry arsenals before it was turned into a state-owned company in 1990. Giat, which makes tanks, guns and ammunition, reported a FFr12bn (£2.36bn) hole in its 1995 accounts, equivalent to double its turnover.

At the same time, Mr Millon dismissed as hypothetical a report in yesterday's Le Monde newspaper of a plan to cut the French army from 240,000 to 130-140,000 men, in the context of a switch from conscription to a professional service. President Chirac had not yet made the decision to abandon national service, Mr Millon stressed, in a move to head off any outcry from local politicians at the closure of some 100-150 military installations which the plan would involve.

In 1992, the government split the DCN into two services – one to supervise navy ship orders and repairs and the other to carry out the work. But the Conze report called for "a clearer separation" of the two functions in order to improve productivity. But the report was pessimistic about the navy arsenals' ability to diversify its activities and to increase exports, because it was hide-bound by civil service rules and working practices.

Against a background of falling French navy orders which declined from FFr20bn in 1990 to FFr14.5bn last year, the report said the DCN was handicapped by productivity which measured at FFr700,000 worth of output per employee was below the FFr1m per employee norm in the rest of the country's defence industry.

The mobility of workers within the DCN's nine yards and factories was insufficient, while their average age at 42 was too high and the arsenals' purchasing practices, accounting for 65 per cent of their FFr18.5bn turnover was slow and antiquated.

To manage export orders, such as the current sale of frigates to Taiwan, the DCN has set up a marketing company, DCN International, which is said to be on the government's privatisation list. Mr Millon said any sell-off was premature, but he underlined that the DCN's current status had handicapped it from collaborating more with other European countries.

Clinton emerges as real winner in Iowa

There was much in the Republican contest to cheer the president, writes **Jurek Martin**

The Iowa caucuses have an awful habit of picking losers. Not since Mr Jimmy Carter in 1976 has the state, in its traditional capacity as the first to cast a vote in the race for the White House, managed to identify a relatively obscure candidate who went on to become president. Names like George Bush, Bob Dole, Gary Hart, Dick Gephardt, Tom Harkin and Pat Robertson were all flattered in the cornfields, only to be deceived elsewhere.

The safest conclusion is that the real winner on Tuesday in Iowa was President Bill Clinton. Not only was he able to run without opposition in the Democratic caucuses but he also had the satisfaction of observing the Republican contest looking as unappealing and more divisive than ever.

It certainly did not ignite the hearts and minds of Iowans. Attendance at the Republican caucuses was a modest 100,000, about 30,000 less than local party officials had predicted and 10,000 less than the last competitive caucuses in 1988. The negative nature of most of the campaigns clearly turned some people off.

The Republican finishing order must also bring contentment, if not over-confidence, to the Clinton campaign. Senator Dole from Kansas, who the White House thinks the president can beat in November, won in the neighbouring state, but unconvincingly; his 26 per cent was well below the 38 per cent he scored in Iowa in 1988. He remains, at this stage, a shaky front-runner.

Mr Pat Buchanan, who the White House is convinced Mr Clinton would rout in November, was a strong second, boosted by religious conservatives. Even if he does not get the nomination, his voice will be heard long and loud in the party all the way to the convention in August in San Diego, where anything approximating his "cultural wars" speech to the Houston gathering in 1992 can be guaranteed to make Democrats rejoice and moderate Republicans weep.

But it is also worth noting that the combined Iowa vote of Mr Buchanan and Mr Alan Keyes, the black rightwinger who finished sixth, exceeded that of Mr Dole, a testament to the power of religious conservatives that is likely to be felt throughout the months ahead and which could influence the composition of the Republican ticket.

If there is a shadow of doubt in the White House mind it centres on Mr Lamar Alexander, whose very respectable third in Iowa makes him, for the moment, a real threat to Mr Dole. The former governor of Tennessee pitched his appeal to Iowans with the slogan ABC – Alexander Beats Clinton. "Entrance" polls before the caucuses showed that Mr Alexander, far more than the other eight candidates, was considered capable of upsetting the president. Some of Mr Clinton's advisers are reported to share this fear.

The Steve Forbes balloon was punctured in Iowa with a disappointing fourth place and 10 per cent of the vote after a close second to Mr Dole had been predicted in some polling. His money gives him some air going into New Hampshire, the most fervent anti-tax state in the union, but he has not responded well to the rough-and-tumble of the stump and his organisation in the bigger states to come remains weak.

Senator Phil Gramm of Texas, in fifth place and single digits, is now to all intents and purposes history. Democrats may regret this if only because no candidate with serious pretensions and a large treasury had displayed such a tin ear for politics and the mood of the electorate.

New Hampshire, the next stop next Tuesday, looks fraught for most of the above except Mr Buchanan, who took 37 per cent of the vote against Mr Bush in 1992 and whose blunt economic conservatism remains popular in the state, its influx of wealthy Bostonian commuters notwithstanding.

The battle-within-the-war looks like being between Mr Dola and Mr Alexandar. At least it can be said of tha majority leader that he did not lose in Iowa, which might have been disastrous, and that he has kept a rein on his legendary temper, a big problem in his past campaigns. He also has a good organisation in New Hampshire, directed by Mr Steve Merrill, the popular Republican governor.

But Mr Alexander, after months in the wilderness, suddenly commands attention, not least because in Iowa he won the expectations game. His pre-caucuses prediction – "a weak Dole, a falling Forbes, a rising Buchanan and a rising Alexander" – was spot on the mark.

That leaves him only to prove his other forecast – "of that field I'm the most likely to be nominated". Mr Dole, for one, will have something to say about that.

Editorial comment, Page 13

Lamar Alexander's rag-time band: a top three hit in Iowa Reuter

Kingmakers decide in a straw poll democracy

A group of the most important Republican voters in America gathered in the sitting room of Craig and Patti Hill's Iowa farmhouse to play their role of kingmakers.

They were neighbours, friends, relatives and newcomers, come to do their civic duty as Iowans: to choose, by straw poll, the Republican candidate for the US presidency from the precinct of Union Township.

The tone was solemn and serious, like most things Iowan. These 26 farmers and professionals, labourers and farmwives knew they bore a heavy responsibility for shaping the 1996 presidential election campaign. Together with the other 100,000 Iowans gathered on Monday night in firehouses, school cafeterias and town halls (themselves only 6 per cent of registered Iowa voters), they would narrow the nine-man Republican field down to three or four.

While Patti Hill scurried around serving coffee, biscuits and iced tea, and cutting up slips of paper for voting, husband Craig stood at the kitchen counter of their 1911 farmhouse and declared the Union Township Republican precinct caucus underway.

Iowans have gathered to debate and choose their politicians since the early 1800s (the word caucus comes from the American Indian name for a meeting of chiefs). Modern Iowans boast of their caucuses as experiences in grassroots democracy – just what the Founding Fathers would have wanted.

There could be no doubt, in the Hill sitting room, of the depth of their concern. One lone voice argued for the representative of the Republican status quo, Senator Bob Dole, the Senate majority leader (who narrowly won in the statewide caucus tally). But almost every other voice was raised in favour of change. Many praised Mr Pat Buchanan, social conservative and economic nationalist. Others commanded publisher Mr Steve Forbes, with his mantra of tax revolution. Some spoke for Mr Lamar Alexander, the former Tennessee governor, the voice of moderation.

The speakers were not (despite the media stereotypes) fanatics. Their strong Christian beliefs were assumed, but not spoken. And the contentious issue of abortion, the source of so much extreme rhetoric from the Christian right, was largely ignored. When it was raised, several of the ladies grumbled quietly that abortion was a private matter.

Despite intensive campaigning – Republican candidates spent over 500 man-days, and millions of dollars, in Iowa – most said they came to the caucus undecided about their choice. Many were swayed, in time-honoured Iowa tradition, by the views of their neighbours.

So, when the ballots were pitched onto the dining table, there were nine for Forbes, eight for Alexander, seven for Buchanan and two for Dole – scarcely a typical showing, statewide. Mr Forbes appeared to do well because of the strong advocacy of one person, while Mr Dole did badly because the mood was for revolution.

But the Buchanan vote was perhaps the most intriguing. He did well, even here where social moderation is stronger than Christian radicalism and where protectionist trade policies would hurt export farmers, because he was viewed as a man of principle, and an outsider.

Patti Waldmeir

Setback for White House over Fed

By Michael Prowse in Washington

President Bill Clinton's hopes of balancing the expected reappointment of Mr Alan Greenspan as Federal Reserve chairman with a vice chairman more sympathetic to Democratic policy goals collapsed yesterday when Mr Felix Rohatyn, the New York investment banker, ruled himself out as a candidate.

Mr Rohatyn, managing director of Lazard Frères, withdrew following vociferous opposition from Republicans in Congress led by Mr Connie Mack, a conservative Senator from Florida.

The White House had not nominated Mr Rohatyn for the Fed vice chairmanship but signalled he was Mr Clinton's first choice to replace Mr Alan Blinder, the Princeton economist, whose term had expired.

The White House is expected to nominate Mr Greenspan to a third term as Fed chairman – not because it is entirely happy with him but because there is no other credible candidate acceptable to Wall Street and the Senate. Mr Greenspan's term expires on March 2.

Mr Clinton also needs to fill a third vacancy at the Fed created by the resignation last year of Mr John LaWare.

The White House wanted to present the Senate with a "package deal" in which Mr Greenspan's reappointment would be linked to candidates for the other vacancies seen as more sympathetic to the Democratics. Mr Rohatyn was seen as an ideal balance to Mr Greenspan because of his standing on Wall Street and advocacy of social spending.

However, Republicans rejected this ploy, making it clear that while they would confirm Mr Greenspan to a third term they would not accept a "tax and spend liberal" such as Mr Rohatyn.

The withdrawal of Mr Rohatyn yesterday left the White House scrambling for new candidates. Names mentioned included Mr Peter Kenen, an economist at Princeton University, and Mr Benjamin Friedman, an economist at Harvard.

See Observer, Page 13

Argentina targets illegal workers

By David Pilling in Buenos Aires

Argentina, racked by high unemployment, is considering imposing prison sentences of up to six years and fines of up to $100,000 on businesses and individuals employing illegal immigrants.

Mr Rodolfo Barra, justice minister, who prepared the legislation, said yesterday that the number of illegal workers had grown, although exact statistics were not available. The aim of the bill, being studied by President Carlos Menem, was to crack down on the employment of illegal aliens by "making fines very high, so it becomes extremely risky" to do so, Mr Barra said.

The government, which estimates it has 1m immigrants from poorer neighbouring countries such as Paraguay, Bolivia and Peru, has for several months been trying to shift the blame for record unemployment, now at 16 per cent, on undocumented foreign labour.

But many economists believe the government is using immigrants, mainly employed as domestic servants, rural labourers or building-site workers, as a convenient scapegoat. Argentines, on average, the highest paid and among the best educated in Latin America, are often not prepared to accept what they consider the menial jobs taken by immigrants.

The International Monetary Fund yesterday said it would sign a new agreement with Argentina when the current three-year extended fund facility ends this March. The new IMF programme will run until December 1997, but no other details have yet been announced, writes David Pilling.

The Fund, whose visiting mission left Buenos Aires yesterday, has approved last year's accounts, overlooking minor discrepancies in view of the big external shock suffered by Argentina as a result of Mexico's 1994 devaluation. This year, Argentina has committed itself to a balanced budget, but will not attempt to generate a surplus as had been the original intention in 1995.

Ms Silvia Montoya, an economist at the Fundacion Mediterránea, believes the impact of illegal aliens on unemployment is "negligible". If all immigrants – both legal and illegal – were removed from the market, unemployment would fall by only 1-1.5 points, she says.

Much more significant, she argues, is the number of internal migrants, driven by the lack of jobs in Argentina's crisis-ridden provinces to seek opportunities in the big urban centres. Of the 12m people living in greater Buenos Aires, for example, only 4 per cent are from neighbouring countries, while 20 per cent are from elsewhere in Argentina.

More worrying than the supposed flood of immigrants, says Ms Montoya, has been the escalation of black-market employment, which now accounts for more than a third of total jobs.

Employers, forced to pay high taxes and social security contributions for their regular workforce, often prefer to hire under the table. In the absence of policies making it cheaper to employ workers legally, higher fines and prison sentences are unlikely to deter the employment of black-market labour, she says.

Ironically, levels of migration to Argentina may actually have dropped since the 1970s, says Ms Montoya, as a result of Argentina's economic crisis in the 1980s.

Steep learning curve for Brazil

Angus Foster on the battle to improve the country's school system

Mr Paulo Renato, Brazil's education minister, is in possession of some alarming statistics. For example, fewer than half the country's children complete eight years of primary schooling. Some teachers are illiterate. And nearly 20m adults cannot read or write.

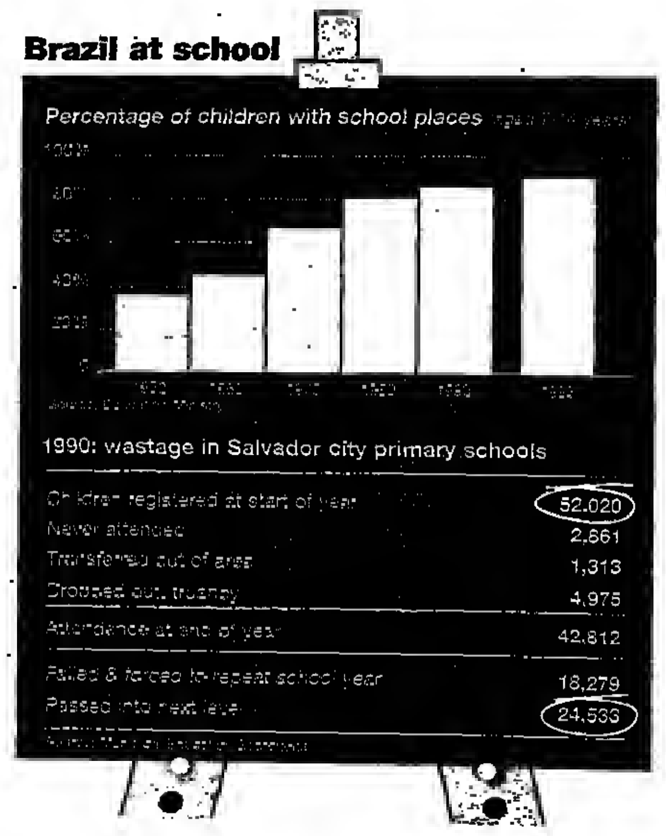
To tackle these problems, Mr Renato is proposing an overhaul of Brazil's primary education system to improve standards. Tha idea has been welcomed by many experta, bnt they agree the task is daunting and will take years to complete:

. *Brazil's poor* basic education record is blamed partly on past governments, which subsidised universities for the children of the wealthy and left states and municipalities in charge of primary and secondary schooling. But local politicians often treated *schools as sources of* jobs and contracts for supporters, leading to corruption and *waste.*

Enrolment increased sharply in the last decades, but schools failed to improve standards and teaching quality often remained poor. For example, there is so much repetition of academic years, usually the fault of bad teachers, that the average child takes 12 years to complete the eigbt-year primary education.

Mr Renato's proposals, which are under discussion in Congress, have *four* main goals. They aim to increase overall spanding on primary education by about 10 percentage points to 60 per cent of the education bndget. Monay would be reallocated from rich areas with few students to poor areas with many.

States and municipallties would be guaranteed an *annual minimum of $300* a student, deemed adequate for a reasonable basic education. Finally, a fixed amount of spending would be reserved for teachers' salaries to raise standards and reduce local politicians' control.



The proposals are *far from* revolutionary, but they are likely to face opposition. Universlty heads worry their already strapped budgets will soon be cut. Mr Renato, himself a former rector of a leading São Paulo university, says spending will not fall but "universities are not the priority at the moment".

Thare could also be complaints from states, whose support is vital for the reforms to work. *Mr Edilson* Souto Freire, education aecretary for the northern state of Bahia, says the reforms are "very positive", especially since they will raise teachers' salaries in *poor* municipalities. "But for our state, whicb also bas responsibility *for* secondary schooling and further education, we'll lose much more than we gain".

The reforms should raise teachers' average wages to $300 a month, although there will remain considerable variation between the poor north and rich south. At present, some teachers in poor municipalities earn less than $40 a month – hardly enough to eat.

Better salaries should attract more akilled teachers, but other changes are just as urgent. Ms Salete Silva, education secretary for the northern city of Salvador, says there is too little emphasis in Brazil on teacher training and retraining, especially in big cities with their characteristic social problems.

Raising teaching standards, although difficult to achieve quickly, would solve other problems too. According to some *estimates*, about 2m children aged 7-14 are not attending school. Ms Silva says the figure for the Salvador area is about 100,000, mainly because of a shortage of school places.

If teaching standards improve, fewer children would have to repeat school years, and more places would become available. "You don't need to build new schools, just reduce repetition," she says.

Mr Renato admits his proposals will not yield speedy results, and other changes are important to streamline a national curriculum and introduce school assessment and teacher training via a nationwide satellite television network. "We know that if all this works, after 10 years primary education won't be a problem any more," he says.

Unfortunately for Mr Renato, there will still be plenty of other priorities. Brazil's secondary schooling has been neglected and only one in three Brazilians enters secondary school.

Business leaders, increasingly trying to compete internationally, express serious concarns abont the country's potential skills shortage, especially when some Asian competitors send more than 90 per cent of their children to secondary school.

Among *optimists*, there is hope that the old habits of the past cannot survive much longer. *Political* interference in local schools, and education's contribution to Brazil's huge gap between rich and poor, should slowly decline as more peopla learn to demand education as a right.

Mr Renato hopes his reforms *speed up the* process. "States and municlpalitles need to adopt education as a priority. We need to make education a great priority for the country, not just the government," he says.

The fact education is not yet a priority, and that Mr Renato has to make such a statemant, shows how much remains to be done.

British groups co-operate with US government agency in developing products to wean users off cocaine and heroin

Search stepped up for safe drugs to treat addicts

By Clive Cookson in Baltimore

Fight drugs with drugs. That was the message from addiction specialists to the American Association for the Advancement of Science meeting in Baltimore yesterday.

Scientists funded by the US government's National Institute for Drug Abuse (Nida) reported several successes in developing safe drugs to wean addicts off heroin and cocaine.

There is even an experimental vaccine that immunises laboratory rats against the stimulating effects of cocaine. Dr George Koob and colleagues at the Scripps Research Institute in California vaccinated the animals with a substance that triggers the body to produce "antibodies" against cocaine. The antibodies act as biological sponges to soak up cocaine in the bloodstream and reduce the amount reaching the brain.

The US drive to develop anti-addiction drugs started when Nida set up its medications development division in 1990. Until then neither the pharmaceuticals industry nor government agencies had taken much interest in the field.

Dr Charles Grudzinskas, director of the division, said Nida's $500m (£325m) a year budget accounted for 85 per cent of the world's spending on research into drug addiction.

There had been much scientific progress in the past five years, he said, as well as frustration over the continuing reluctance of pharmaceutical companies to become involved in what they saw as a high risk, low reward market sector.

Two of the three companies which Dr Grudzinskas said were co-operating with Nida are based in Britain: Reckitt & Colman and Britannia Pharmaceuticals. The third is Algos, a New Jersey biotechnology company.

Furthest advanced is the Reckitt & Colman project to develop buprenorphine, a painkiller, for use against addiction. Trials show it to be a promising alternative to methadone, a highly regulated opiate used as a heroin substitute for more than 30 years.

"This would enable physicians in the US to treat addiction for the first time like any other medical problem," said Mr Charles O'Keefe, president of Reckitt & Colman's US pharmaceuticals subsidiary.

Nida is also working with Britannia, a subsidiary of the Japanese Ajinomoto group, on US trials of lofexidine, a drug licensed three years ago in the UK to relieve the symptoms of heroin withdrawal. Lofexidine was used in 10,000 detoxifications in the UK last year, said Mr Derek Woodcock, the company's technical director. "It does not remove the craving but it dampens down the symptoms of withdrawal: the sweating, nausea and cramps."

The only other licensed treatment for heroin addiction is a long-acting drug called LAAM, whose advantage is that it need be taken only three times a week. The US Food and Drug Administration approved LAAM in 1993 but, to Dr Grudzinskas's disappointment, it is not widely available because individual state regulations do not permit its use.

However, no treatment will work on people who refuse to be cured of their addiction, the scientists warned. "Even a vaccine against cocaine will be an impediment rather than an absolute cure," Dr Koob said. "If you have enough money [to buy huge quantities of cocaine] you will be able to overcome the effects of any treatment."

Cave life revealed in Romania

By Clive Cookson

The Rip van Winkle of ecology, an underground cave system cut off from the rest of the world for 5m years, has been discovered in Romania.

The creatures in Movile Cave – bacteria, fungi and invertebrate animals such as spiders, insects, leeches and water scorpions – have a food chain completely independent of the outside world. All their energy comes from the oxidation of hydrogen sulphide gas dissolved in the groundwater.

Movile was first explored in 1986 but its unique scientific features have only just been discovered by a team of Romanian and American researchers. Mr Serban Sarbu of the University of Cincinnati described them yesterday to the American Association for the Advancement of Science in Baltimore.

Thirty-one species new to science have already been identified. They form the first known subterranean ecosystem that does not depend ultimately on the sun for its food and energy needs.

Geologists believe Movile formed when the level of the Black Sea dropped suddenly 5.5m years ago.

South Africa misses target for budget deficit

By Roger Matthews in Cape Town

The South Africa government has failed to meet its target for the reduction of the budget deficit in the financial year which ends on March 31, but believes its international reputation for fiscal discipline will not be damaged.

Mr Chris Liebenberg, the minister of finance, told parliament yesterday the deficit would be R30.1bn (£5.4bn), 6 per cent of gross domestic product, against the budget target of 5.8 per cent. Mr Liebenberg said the government remained on course to reach its target deficit of 4.5 per cent of GDP in 1999. "With three years still to go, I know this will not be a problem," he said.

In seeking additional funds from parliament, Mr Liebenberg said a R1bn transitional reserve was needed to meet expected but as yet unquantifiable expenditure by the nine provincial governments.

The minister, speaking to reporters at the start of the new parliamentary session, emphasised the problem, mainly related to welfare payments, had arisen because of insufficient data available to provincial governments, not because of a lack of fiscal discipline. "Generally the provincial governments have done a tremendous job," he said. "But we want to be able to respond to any cash flow problems they might have at the end of the financial year. Hopefully, not all the extra R1bn will be required."

Despite pressure for increased government spending, Mr Liebenberg is expected to announce a more ambitious target for the reduction in the deficit, perhaps to 5 per cent of GDP, when he unveils his next budget on March 13.

The urgent need to cut government borrowing was stressed by Mr Chris Stals, the governor of the Reserve Bank. He said the low level of saving was one of the most important structural deficiencies in the economy.

During the first nine months of last year, gross domestic saving as a percentage of GDP had fallen from 17.2 per cent to 16.7 per cent.

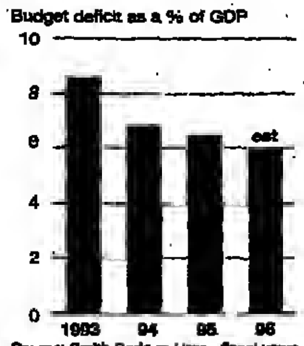
Mr Stals said that savings would have to reach 25 per cent of GDP if the government was to achieve 5 per cent annual growth in the economy, the minimum sustained level needed to prevent a further rise in unemployment, already more than 33 per cent of the workforce. He believed growth last year was likely to have been about 3.3 per cent, and a further small rise was probable this year.

Mr Liebenberg and Mr Stals both echoed President Nelson Mandela's pledge last week to remove all foreign exchange controls as soon as conditions allowed. A further relaxation is thought to be imminent, but Mr Stals said that although reserves had risen to R18.2bn, this represented cover for only seven weeks' imports.

Mr Stals said the Reserve Bank also wished to prevent a further appreciation of the rand which, according to an assessment released today by the Union Bank of Switzerland, is overvalued by 7-10 per cent against the dollar, and likely to continue appreciating this year.

South Africa

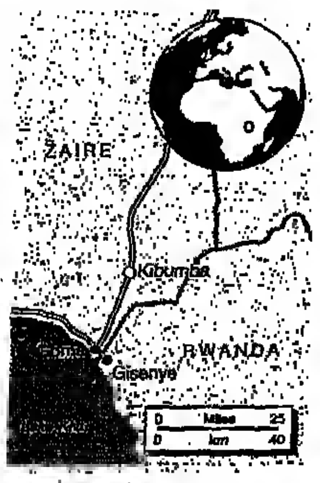
Budget deficit as a % of GDP



Source: Smith Borkum Hare

Zaire signals move to expel Rwanda exiles

By Michela Wrong in Goma, Zaire



Zaire yesterday sent troops to seal off the second-largest Rwandan refugee camp on its territory and "encourage" a voluntary repatriation, signalling that after 19 months its patience with more than 1m Hutus who fled the fall of Kigali in 1994 was at an end.

In a pre-dawn swoop, Zairean soldiers fanned out along the road fringing Kibumba, a camp of 190,000 refugees north of Goma, stationing themselves at 100m intervals. Watched by hundreds of refugees, a United Nations-funded contingent of elite troops responsible for camp security simultaneously infiltrated the camp itself.

The operation is the first stage of a government plan to close 42 camps set up when Hutus, fleeing the Tutsi-dominated Rwanda Patriotic Front (RPF) advance, poured across the border. Convinced by their former leaders, many of whom organised the genocide of half a million Tutsis, that it was unsafe to return, most refugees have so far refused to move.

Lambasted abroad when it forcibly expelled 15,000 refugees last August, Zaire has this time been careful to stay within the letter of the law while making it clear to the refugees that their time is up.

Soldiers have orders to prevent the refugees, many of whom supplement rations by working in Goma or tilling nearby fields, from leaving Kibumbe and to close down the unlicensed shops, restaurants, bars and markets that operate there.

"The aim is to put an end to the sense that these are flourishing cities with their own lives and bring home the fact that they are refugees who must obey Zairean law," said Mr Peter Kessler, spokesman for the UN High Commissioner for Refugees (UNHCR).

Vocal in condemning Zaire in August, the UNHCR is backing the latest plan, while insisting it cannot be party to a forcible repatriation.

But the operation already looks in danger of blurring the line between voluntary return and expulsion. The stationing of Zairean troops, notoriously indisciplined, is clearly intended to scare the refugees. Camp leaders have been told in no uncertain terms that donor funds are drying up.

"They tell us it is a voluntary repatriation but really it is going to be forced, because the soldiers are going to enter the camps," said Mr Hermann Twajamohoro, head of one of Kibumba's districts.

The UNHCR's stance is a reflection of some hard financial facts and declining international tolerance for the refugees' presence, seen as providing a cover for the growing number of infiltrations into Rwanda by militia men and former government soldiers.

Having appealed for $268m in funds for 1996, the agency has only received a pledge of $1m from Norway and officials say it functions on a hand-to-mouth basis. Meanwhile, 30-40,000 refugee births are being registered a year in Goma, more than the numbers returning.

CompuServe puts back Internet link

CompuServe, the US-based consumer online information service, said yesterday it had reinstated access to all but five message-posting areas of the Internet that it cut off under an investigation of online pornography by the German government, Reuter reports from Columbus.

The company also said it would offer a parental control program to enable users of its online service anywhere in the world to restrict access to questionable discussion areas, known as newsgroups.

Access was cut off in December to 200 newsgroups – computer forums where users can post messages for all to see, including text and material that can be converted to both pictures and sound.

The action was taken after German prosecutors notified the Columbus-based company it was investigating distribution of sexually explicit material on the Internet. State prosecutors in Bavaria had advised CompuServe it could face charges.

Since CompuServe lacks the technology to block access in a specific geographic location, it was suspended for all 4.7m users worldwide. The decision to deny access to Internet forums led to accusations of censorship.

"Combining parental controls with lifting the newsgroup suspension reaffirms our commitment to online safety for families and our position that responsibility for Internet content lies with those who create it or put it on the Internet, not with the access provider," Mr Bob Massey, CompuServe's president and chief executive officer, said yesterday.

The five newsgroups that will remain inaccessible contain explicit child pornography material, company spokesman Jeff Shafer said. He did not know how long the suspension would remain in effect and did not identify the five.

NEWS: ASIA-PACIFIC

Port sale first in Australia

By Nikki Tait in Sydney

A consortium of New Zealand and Australian interests yesterday emerged as the buyers of the port of Portland in south-west Victoria, the first time an entire Australian port has been sold into private hands.

The new owner is a 50:50 joint venture between the Scott Company, an Australian transport group, and Infratil Australia, a newly-established infrastructure investment fund. The fund is managed by Morrison and Co, an Australasian investment banking organisation.

The joint venturers, which are buying the five common-user berths plus the berth for the neighbouring Portland Aluminium smelter, will pay A$30m (£14.8m).

According to the Victorian state government, they have also undertaken to cut usage charges at the port by 20 per cent over four years, "to ensure the benefits of private-sector efficiences are passed on to users".

The underwater assets at the port will remain in state ownership, as will parks and beaches administered by the Port of Portland Authority. The consortium will manage and maintain shipping channels under a lease agreement.

The main items passing through the Portland facilities include alumina and aluminium ingots, grain, fertilisers, and woodchips.

Privatisation of the Portland facilities forms part of the plan by the Victorian government to move at least three of the state's cargo ports into private hands. It said yesterday the privatisation process for the Port of Geelong was already under way and an announcement could be expected in April.

The Victorian state government has been at the forefront of privatisation moves in Australia. It is in the midst of a series of asset sales, designed to move the state's electricity industry into the private sector.

The policy is driven partly by ideology, but the government also inherited from its Labor predecessor a A$30bn debt, which it has been trying to reduce.

NZ air accord may be revived

By Nikki Tait in Sydney

Efforts to establish a single aviation market between Australia and New Zealand will be resurrected if Australia's opposition coalition wins the federal election scheduled for March 2.

The opposition, which comprises the Liberal and National parties, said yesterday that it would resume negotiations with the Wellington government if it gained office.

The Labor government had originally aimed to set up an "open skies" arrangement with New Zealand. However, in late-1994, it rescinded Air New Zealand's right to fly domestic routes within Australia shortly before this was due to come into effect. The official explanation for this centred around a failure to agree on customs procedures, but many observers believed Canberra was anxious to protect Qantas from extra competition, before the privatisation of the Australian carrier.

More recently, however, the issue of a single trans-Tasman aviation market has been complicated by Air New Zealand's proposed purchase of up to 50 per cent of Ansett, the second Australian carrier.

It is unclear what implications this transaction - assuming it overcomes objections from New Zealand's domestic competition authorities - might have for the international regulatory framework.

Separately, the coalition promised yesterday to maintain Australia's defence expenditure at current level. However, it claimed that A$125m (£60m) a year could be saved from reductions in running costs, and a further A$125m in both 1997-98 and 1998-99 from the phasing-out of Australia's army reserve.

These savings would fund new commitments - a reallocation which Senator Robert Ray, the defence minister, described a "very backward step".

See International Company News

Wife of North Korean leader may have fled

By Jack Burton in Seoul

South Korea was trying yesterday to find the first wife of North Korean leader Kim Jong-il, to persuade her to seek asylum after she was reported to have gone into hiding in western Europe.

Ms Song Hye-rim, Mr Kim's former common-law wife and mother of his eldest son, would be one of the biggest propaganda catches yet for South Korea among the growing number of North Korean defectors. Ms Song had been living in Moscow for 13 years after being dropped by North Korea's Dear Leader.

The steady stream of defectors has not yet reached the proportions of the East German exodus in the summer of 1989 that signalled the end of communist eastern Europe. But numbers are increasing as economic conditions in North Korea deteriorate. Some 200 are said to have fled to South Korea in the past two years.

Kim Jong-il's first wife, Song Hye-rim, in her 20s. Reuter

Members of the privileged elite are beginning to join the exodus, which used to consist mainly of disgruntled workers who slipped across the North Korean-Chinese border or were employed as loggers in Siberia.

Most of the new crop were already abroad in diplomatic and business posts making it easier for them to defect. Three members of the North Korean embassy in Zambia fled to South Korea last month and held a televised news conference yesterday. A London-based foreign exchange dealer for a North Korean trading company arrived in Seoul in December.

The defectors' tales are proving a goldmine for the South Korean intelligence agency. But what they say in public appears to be of more doubtful quality. In news conferences, their answers tend to be carefully coached to score propaganda points for South Korea in its feud with the North.

One case involved a defecting North Korean truck driver with a suspiciously detailed knowledge of his country's nuclear weapons programme when he met the press at the height of the North-South nuclear dispute several years ago.

One defecting army captain had only one sentence of English: "We are not defectors, we are freedom fighters."

"These are usually people who have got into the trouble up north and will now do anything to please the authorities in the south," one US official in Seoul said.

When they first arrive, they receive star treatment. Their initial appearance before the media is usually broadcast live. Some subsequently have difficulty adjusting to the free-wheeling capitalism of South Korea. One former defector, apparently homesick, was caught last week trying to slip aboard a ship in an attempt to return to North Korea.

So far South Korea has been delighted to welcome defectors, but Seoul worries they may soon be joined by a flood of refugees seeking to escape famine in the North. They could pose a difficult social problem. Being poor and unskilled, they might become a burden for the state.

South Koreans are praying they stay at home.

Media reports of drink's benefits prompt a wave of frantic buying

Japan takes to cocoa for health

By Emiko Terazono in Tokyo

Japanese consumers usually embrace the annual rush for St Valentine's day confectionery with vigour, but this year they are buying cocoa instead of chocolates.

Japanese retailers are facing frantic buying of the product by housewives after media reports extolled the health benefits of the beverage.

The rush for cocoa started last December after a television report that the product reduced cholesterol in blood vessels and was effective in preventing gastric ulcers. The report was based on a seminar given by the Chocolate and Cocoa Association of Japan, but medical experts remain non-committal about the benefits, especially when sugar is added to the cocoa.

Morinaga, a chocolate maker with 70 per cent of the market share for cocoa in Japan, says its products are disappearing from shelves the moment they are delivered to retailers. Meiji Seika, another confectionery maker, has had to print an apology in newspapers for being unable to meet demand.

Morinaga says it is doubling production at its cocoa plants, and has been operating manufacturing lines at full capacity around the clock since mid-December.

The increase in production has its limits. Since cocoa is made from pulverising the cacao bean and removing cacao butter, which is then made into chocolate, its production cannot be greatly boosted without increasing the amount of chocolate manufactured at the same time.

Yet the industry hopes that the Y10bn (£61m) cocoa market will double this year.

A cocoa boom has hit the financial markets, with prices for stocks in the country's cocoa makers surging. Morinaga has risen 13.6 per cent from the beginning of the year, Meiji Seika by 5.7 per cent.

Some analysts are sceptical that the boom will last, especially since cocoa is a winter drink. But Morinaga retorts that cocoa is "good to drink in the summer as well, if you have it iced like tea".

Chocolate consumption in China is soaring for Valentine's Day, Reuters reports from Beijing. At Beijing department stores, foreign brands set up stalls offering roses and paper hearts as gifts for lovers buying chocolate for sweethearts on Valentine's Day today.

Chocolate consumption more than doubled to almost 22,000 tonnes in 1994 from 9,500 tonnes in 1988. In the same period, retail sales surged to Yn1.1 bn (£85.6m) from Yn128m, with most turnover concentrated in main cities such as Beijing, Shanghai and Guangzhou. Much of the increase had been to the advantage of foreign manufacturers and at the expense of domestic producers, officials and local media said.

The Chinese chocolate market was growing at 15-20 per cent a year, said Mr Jeff Briggs, general manager of Cadbury Schweppes (Australia), which began production at a plant of 5,000 tonnes capacity in Beijing in October 1995. "Our growth is much higher than that," Mr Briggs said, though he declined to give figures.

Bangladesh party talks proposed

By Mark Nicholson in Dhaka

Mrs Khaleda Zia, Bangladesh's prime minister, yesterday offered to reopen, after tomorrow's general elections, negotiations with opposition parties boycotting the poll, with the aim of holding a second, fully-contested vote.

But she also threatened to shed the government's present "restraint" if opposition parties continued "illegal" anti-government strikes and street protests.

"We are not taking action because we would like the election to come through," she said. "But if they continue to do illegal acts, then the law of the land will apply after the election."

However, Sheikh Hasina, leader of the opposition Awami League which is heading the protests, apparently rejected offers of compromise, calling Mrs Zia "intransigent" and "insincere".

She told reporters: "If she really wants negotiations she will have to cancel the elections and step down."

Opposition determination to resist the election is expected to lead, in cities and some rural areas, to violent clashes tomorrow, when tens of thousands of police and paramilitary forces will be deployed at more than 21,000 voting stations.

An opposition-led road, rail and ferry blockade yesterday virtually cleared Dhaka's streets of motorised vehicles, while police reported sporadic home-made bomb attacks in the city.

Sixteen people have died, including three police officers, and hundreds have been injured in clashes in the run up to the polls. Security forces have also arrested more than 15,000 people over the past few weeks in what the government says is a drive against illegal arms.

Mrs Zia issued her combined offer and threat in a rare meeting with foreign journalists. She claimed that negotiations with Bangladesh's three main opposition parties had been only "temporarily suspended" for the election, which she was "constitutionally obliged" to hold despite the boycott by the Awami League, the Jatiya Party and the Jamaat-I-Islami.

ASIA-PACIFIC NEWS DIGEST

Thailand eases labour migration

Thailand's interior ministry has proposed letting employers import labourers to work in 35 of the country's 76 provinces, including the capital of Bangkok and the country's border and coastal areas. The proposal, which must be approved by the labour ministry and the Thai cabinet, would require employers to register their foreign workers by paying a Bt5,000 (£130) deposit for each labourer, along with a Bt1,000 non-refundable registration fee. Workers would have to receive the Thai minimum wage.

A pilot scheme has been largely unsuccessful because employers prefer to keep their workers unregistered to pay them less than the minimum wage, and because workers often disappear, causing employers to lose their deposits. The plan also calls for harsher treatment of illegal labourers who are not registered. The interior ministry estimates that there are between 600,000 and 700,000 illegal workers in Thailand, from Burma, Laos and Cambodia. *Ted Bardacke, Bangkok*

Haemophiliacs protest in Tokyo

Mr Naoto Kan, Japan's health and welfare minister, said yesterday he would try to confer with a group of haemophiliac patients infected with the HIV virus who start a three day sit-in in front of his ministry in Tokyo today. His comments came after revelations that the ministry was aware of dangers of allowing the use of unheated blood products for haemophilia patients in 1983. It said last week it had discovered documents indicating officials knew of the HIV risks but did nothing to stop sales, something which it had previously denied. A total of 1,806 haemophiliacs have been confirmed to be infected with the HIV virus through tainted blood products, imported mainly from the US. By the end of last year, 402 people had died of Aids contracted through contaminated blood products, while 582 were suffering from Aids. *Emiko Terazono, Tokyo*

Taiwan military 'on high alert'

Tensions between Taiwan and China increased yesterday as Taipei put its military on high alert in preparation for war games by mainland troops nearer to the island than in the past. In Beijing, China repeated charges that Taiwan was to blame for recent tensions. Taiwan said its armed forces were put on heightened alert even though a People's Liberation Army deployment along China's east coast, put at some 150,000 troops, was smaller than some reports had predicted. "The strength of the combined forces does not exceed 150,000 so the rumour of 400,000 troops is an exaggeration," Mr Chiang Chung-ling, Taiwan defence minister, said in Taipei. He said China had airlifted troops into provinces near Taiwan and increased air strength in the area. *Reuter, Beijing*

Philippines reform consensus crippled by the pain of change

Opposition politics looks set to interfere with Ramos's economic agenda, writes Edward Luce

In-fighting has long been a feature of the Philippines' mercurial brand of democracy. The decision by part of the two-party ruling coalition to join the opposition and a wave of protests against the government's economic programme have raised fears that the reform process might have petered out.

Almost four years of liberalisation and internationally-acclaimed restructuring was thought to have put the country on to a more stable political footing. The government's sweeping victory in congressional elections last May was taken as proof that the carefully sequenced reform programme of President Fidel Ramos's administration was supported by strong nationwide consensus.

Events since then have called into question the classification of the Philippines as a star emerging market. The seeming triviality of the measures which have provoked widespread protests against the government suggests the country may not be prepared for the pain of further reforms.

"The Philippine government is understandably beginning to feel under siege," said Professor Julius Caesar Parrenas of Asia-Pacific University in Manila. "A group of opportunistic politicians are stoking up anti-government sentiment with a campaign of misinformation."

Encouraged by union and church opposition to a minor increase in petrol prices and the imposition of a 10 per cent value added tax in January, half the government's two-party coalition split away last month to join the senate opposition.

Some members of the breakaway Liberal Democrats have disowned the party's decision, but the rupture signalled the first shot in the war for the presidential crown in 1998. This has catapulted formerly pro-reform senators, such as Mr Edgardo Angara, leader of the LDP, into what has been labelled a "pro-poor conscience bloc".

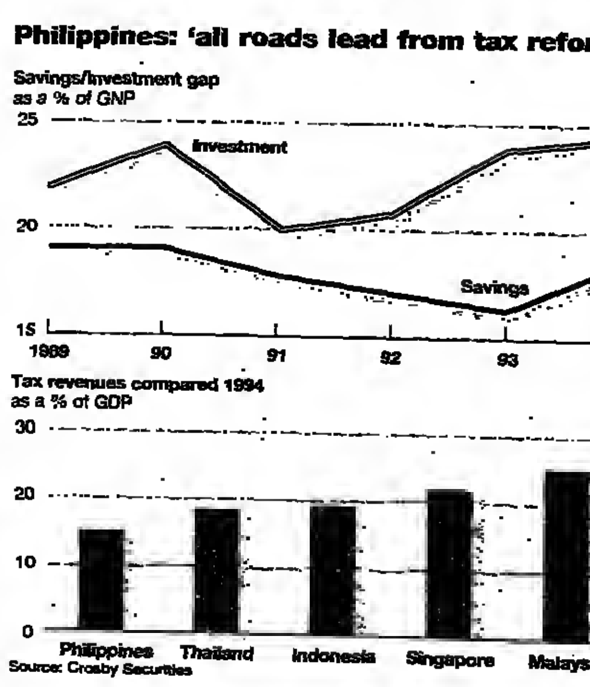
The result is that the Ramos administration can no longer rely on the senate to enact the second half of its programme. Among the reforms analysts say could be in danger are introduction of a modern income tax system, liberalisation of oil and agricultural prices and reform of a public bureaucracy which habitually waters down laws it is supposed to implement.

Economists, including Professor Benjamin Diokno, budget secretary under a previous government, say the administration must push through these measures if it is to raise the economy's medium-term growth rate. Failure to do so would restrict the country to the 5 or 6 per cent growth rates of the past few years.

"At the moment, the structural limit to growth appears to be about 6 per cent," one academic at the University of the Philippines says. "The only way of lifting that rate without causing the economy to overheat is to eliminate some of the bottlenecks now holding the economy back. These include the low savings rate, low spending on infrastructure and the almost universal evasion of taxes."

At 3 per cent of gross domestic product, government spending on infrastructure is about half the south-east Asian average. A domestic savings rate of 21 per cent is also well below those achieved by the country's more dynamic neighbours. And fewer than 10 per cent of Philippine wage-earners pay their taxes.

Economists agree the solution to these problems hinges on the enactment of the comprehensive tax reform bill this year. A simplified and workable tax regime would tackle the problem of low recurring budget revenues disguised by proceeds from privatisation in the past two years, and liberating government resources to upgrade the country's poor infrastructure.



Source: Crosby Securities

Higher budget revenues would also reduce public sector borrowing, narrowing the country's savings/investment gap. As one economist put it recently, "all roads lead from tax reform".

"The Ramos government basically has six to nine months to push through the tax bill. It is a rapidly narrowing window of opportunity. By next year, the campaign for the 1998 elections will have effectively pushed aside all other considerations," says one senior government official.

However, government economists, such as Mr Dawi Guinigundo of the central bank, and others argue that recent popular opposition to government reforms will exhaust itself by mid-year.

"It is a bit alarmist to suggest the reform process has been blown off course," Mr Guinigundo said. "In a democracy, people tend to react against increases to the cost of living such as higher petrol prices. By mid-year, the country will have got used to it. The government will push through the reforms which are needed."

NEWS: WORLD TRADE

Hyundai moves into aircraft business

By John Burton in Seoul

Hyundai of South Korea is to enter the aircraft industry by producing wings for the McDonnell Douglas MD95 100-seat airliner in a $1.1bn deal.

The move reflects intense competition with its main Korean industrial rival, Samsung, which also has aerospace ambitions and recently expressed interest in acquiring part of Fokker, the troubled Dutch aircraft company.

Samsung and Hyundai are part of a Korean consortium to develop and build a regional 100-seat jet airliner with China, but that project is under threat because of serious differences between the two countries' governments.

Analysts believe the possible collapse of that project is responsible for Hyundai's interest in prodncing wings for the MD95. Samsung might then try to build a 100-seat airliner independently, using Fokker technology and manufacturing equipment.

Korean Air, the country's biggest carrier and another partner in the Sino-Korean aircraft project, has already agreed to produce nose sections for the MD95 in a $500m deal.

Hyundai takes over the production of MD95 wings from the Halla group, whose chairman is the brother of Hyundai's founder. Halla signed an agreement with McDonnell Douglas in 1994 to make the wings but decided to drop out of the project, Hyundai says.

Hyundai plans to build a $1.5bn aerospace factory in South Korea and start producing the wings in the second half of next year. The project will be managed by a new subsidiary, Hyundai Space & Aircraft.

Mr Kim Yong-mun, president of that subsidiary, said Hyundai would be only the fifth company in the world to produce wings for mid- or large-sized aircraft, while its aerospace complex would be the largest in Asia.

Hyundai also is hoping to develop a 30-seat aircraft and medium-sized helicopters, while establishing a joint venture with Pemco of the US for aircraft maintenance and overhaul business.

The MD95 wing programme is the second aerospace contract announced by Hyundai in a month. It will also become the first South Korean company to assemble satellites in a joint venture with US and Italian partners by producing 26 satellites for the Globalstar network.

Mr Chung Mong-koo, Hyundai's new chairman, has said aerospace will be one of the main growth areas for Korea's second largest indnstrial group, along with telecommunications, finance and steel.

Under a $400m agreement with Space Systems/Loral of the US and Alenia Spazio of Italy, Hyundai Electronics will supply a quarter of the satellites for the Globalstar network, which will provide telecommunications services using small satellites in low earth orbit.

Hyundai Electronics will invest $150m for research and assembly facilities to supply the satellites between 1998 and 2005. It is also expected to participate later in the assembly of larger geostationary-orbit satellites for Globalstar, in which it holds a 8.33 per cent stake.

EU initiative on environment

By Guy de Jonquières

The European Union will this week call for changes in World Trade Organisation rules to make it easier for countries legally to impose trade restrictions in support of multilateral environmental agreements (MEAs).

The proposal is intended to clarify the role of trade measures in existing MEAs, such as the Montreal protocol on CFC gases, and to reassure negotiators of future accords that such restrictions will not conflict with WTO obligations.

Brussels hopes its ideas will be endorsed by the WTO's ministerial meeting in Singapore in December, which is due to consider the links between trade and environment policy.

The EU initiative is likely to be controversial, provoking scepticism or outright opposition among developing countries which fear that environmental policies could become a pretext for protectionism.

However, the EU is expected to win support from several industrialised countries, including Norway and Switzerland, and by New Zealand, which recently tabled a similar proposal.

The EU wants the WTO to set np a special disputes settlement mechanism to handle complaints brought by countries against trade restrictions imposed on them under MEAs to which they do not subscribe.

In such cases, WTO disputes panels would first determine whether the MEA in question was sound. The agreement would be judged on the basis of specified criteria, including whether it had been fairly negotiated, reflected relevant concerns and was open to signature by all countries.

If an agreement passed this test, the WTO could rule trade restrictions illegal only if it found that they involved "arbitrary or unjustifiable discrimination" and were not intended simply to enforce the provisions of the MEA.

The EU has called on the WTO to implement its proposal by amending its article 20, a rarely used provision which allows trade measures to be applied for reasons including health, public morals and the conservation of scarce resources.

In addition to the Montreal protocol, 17 MEAs provide for the use of trade measures to ensure their enforcement. So far, no country has complained to the WTO or the General Agreement on Tariffs and Trade, its predecessor, that such measures were being applied unfairly.

However, trade policy experts believe that the risk of clashes with world trade rules may increase as governments seek to negotiate more ambitious and far reaching global environmental accords in the future.

US threatens Manila over piracy

By Edward Luce in Manila

The US has threatened to scrap trade privileges unless the Philippines Congress passed laws to protect intellectual property rights, a Philippines official said yesterday.

Legislation to protect US companies from widespread copyright and software violations in the Philippines was supposed to have been enacted last year.

US trade officials have warned that Philippine products could lose their US generalised system of preferences treatment, giving them tariff-free access to the North American market. The US government estimates that intellectual piracy in the Philippines costs US companies $120m a year.

"Until two years ago even Philippine government departments were using pirated software in their computer systems," a senior US official said yesterday. "Compliance since then has markedly improved but US businesses estimate that over 90 per cent of computer software in the Philippines is still pirated."

The Philippines government, which last year detected 2,000 cases of piracy – a big increase on the 150 registered in 1993 – has expressed frustration with slow progress on the legislation in Congress.

A leading senator last week managed to delay the passage of one of the bills in order to evaluate whether the measures would damage Philippines companies. Other politicians have questioned whether they should pass the laws in advance of pledges to the World Trade Organisation to comply with international norms by the year 2000.

US companies, including Microsoft, which recently signed a two-year agreement to supply software to the department of trade and industry in Manila (a former violator), say that the pirating of US products in the Philippines remains rampant.

Products widely copied in the Philippines include Levi jeans, Disney toys and Rayban sunglasses.

US businesses say that failure to act swiftly could deter further overseas investment in the Philippines.

International conference to be called on Internet copyright

By Frances Williams in Geneva

An international treaty to protect intellectual property from cyberspace pirates is on course for completion by the end of this year, in a move that negotiators hope will spur the development of the global information superhighway by encouraging anthors, record producers and performers to allow electronic transmission of their work.

Though many of the technical details remain to be settled, the accord would extend copyright protection under the Berne convention to material transmitted over the Internet and other computer networks. Copyright laws in many countries at present only apply to hard copies of protected works.

The treaty is being negotiated under the auspices of the Geneva-based World Intellectual Property Organisation, which administers the Berne convention and other intellectual property accords. Negotiators have decided that talks had made sufficient progress to call a conference in December to initial the new agreement.

Officials admit that the technical problems of enforcing copyright protection on the electronic highway are immense. With digital communications, for example, anyone with a suitable computer can download a copy of a film or sound recording, and re-transmit perfect copies all over the world at the push of a button.

However, they argue that an essential first step is to ensure that cyberspace is covered by copyright protection rules enforceable on a worldwide basis. Legislation is already pending in the US and under consideration in the European Union, but this will not be effective unless other countries have similar rules.

"The development of the global information superhighway depends on film companies, directors, anthors and performers being willing to put their work into the system," says one European negotiator. "They need sufficient protection and sufficient rights to get a sufficient return, and some guarantees that there aren't great leaks in the pipe."

In the future, enforcement is likely to be aided by encryption technology that identifies copyright holders and royalties due, and restricts the number of copies that can be made from any original or prevents the copying of copies. In a move to pre-empt the development of encryption-removal devices, the new treaty is likely to make them illegal.

Questions still outstanding include the treatment of digital broadcasting, as opposed to on-demand services, and exceptions for libraries and others which have special privileges in existing copyright law.

WORLD TRADE NEWS DIGEST

TWA to buy US aircraft

Trans World Airlines, which emerged from Chapter 11 bankruptcy protection in August, is to acquire 20 new Boeing 757-200s, powered by Pratt & Whitney engines. TWA will buy 10 aircraft directly from Boeing and lease the others from International Lease Finance Corporation. TWA has options on another 20 Boeing 757s.

The first 757 will be delivered in July, with two further deliveries scheduled in 1996. Boeing is to provide "backstop financing". This means Boeing and Pratt will help finance the purchase if TWA cannot get better terms on the open market. *Michael Skapinker, Aerospace Correspondent*

Vietnam admits foreign lawyers

Vietnam, which seven months ago banned foreign lawyers from practising Vietnamese law, yesterday settled the status of 14 foreign firms by awarding them branch licences.

Branch status means that foreign lawyers no longer have to rely on billing clients offshore.

But a requirement that they pay tax on their earnings in Vietnam, and what is likely to be time consuming liaison with their consultancy partners, could lead to a rise in their fees.

The licences allow one branch in Vietnam, but firms which already have operations in Hanoi and Ho Chi Minh City are expected to be given permission to open a second shortly. Foreign law firms started arriving in Vietnam in 1992 but the scope of their activities was vague until July last year, when Hanoi restricted them to advising on international law and required them to reapply for branch status. About 15 other foreign firms are expected to receive branch status next month. *Jeremy Grant, Hanoi*

Venezuela urged to lift controls

The World Trade Organisation yesterday urged Venezuela to scrap exchange controls and move forward with its economic reform programme.

Reviewing a report on Venezuela's trade policies, WTO trading partners said the exchange controls, introduced in mid-1994, were damaging foreign investment, capital inflows and trade.

However, Venezuela was commended for trying to maintain a liberal trade regime while trying to reduce rampant inflation and a stubborn budget deficit.

The WTO report says Venezuela's most pressing need is to overcome its macro-economic problems but it also needs to advance its trade reform programme. The economy is still heavily dependent on oil exports and revenues, which support extensive state involvement, while domestic industry benefits from cheap and abundant fuel. *Frances Williams, Geneva*

■ Renault has signed an agreement to deliver 40,000 engines a year to Moskvitch of Russia. The two-litre engines will be used in a new model to be launched by the Russian carmaker this year. The contract is to be financed under a Franco-Russian credit line. *Reuter, Paris*

■ Bull of France has won a FFr250m ($40m) contract from the Russian tax authorities to install a computer network covering Moscow and almost 100 other cities. *AFX, Paris*

■ ValuJet Airlines of the US has agreed to buy 11 second hand McDonnell Douglas aircraft from various airlines. The nine DC-9-30s and two MD-83s, to be delivered by April next year, will increase ValuJet's fleet from 47 to 58. *Reuter, Atlanta*

After the bomb Dublin government seeks Dayton-style talks to rescue peace process

Irish PM ready to debate election plan

By John Kampfner and Robert Peston at Westminster

Mr John Bruton, the Irish prime minister, confirmed yesterday that be was ready to talk to Mr John Major, his UK counterpart, about Britain's proposal for elections for Northern Ireland.

Speaking in the parliament of the Republic of Ireland ebout the repercussions of the Irish Repnblican Army's bombing in east London last Friday, Mr Bruton said the two premiers were in contact to work out specific measures to keep the peace process alive.

He made clear, however, that any elections in the north sbould be preceded by preparatory "proximity talks", modelled on the US brokerage in Dayton, Ohio, of a peace accord for Bosnia. Such talks should involve all Northern Ireland parties.

Elections, Mr Bruton edded, would have to lead directly and speedily to ell-party negotiations on a constitutional settlement for the north, a point accepted by the British government. Mr Major and Mr Bruton are expected to meet in London next week, with pressure growing on both governments to respond to the crisis by merging their respective plans. Mr Bruton assured tbe parliament: "The British Prime Minister has said that his mind is not closed; nor is mine."

The Britisb and Irisb governments are understood to have discussed intensifying security in counties just inside the Irish republic, where the Irisb Repnblican Army is believed to have been carrying ont tests on explosives in recent months.

Irish politicians united in their condemnation of the London bombing in which two people were killed and 100 injured. Mr Dick Spring, deputy prime minister, called it "one of the darkest days in Irish history".

In a television broadcast, Mr Tony Blair, the British Labour party's leader, described tbe bombing as e "vicions and evil act". He also reiterated – amid signs of tension in the parliamentary party, extending to the front bench, about his approach to Ireland – that be would continue to work with the Britisb government and "pnt peace above party politics".

Mr Bruton reiterated he could no longer meet Mr Gerry Adams or other Sinn Féin leaders until the IRA restored its ceasefire. But he said he was willing to euthorise "a face-to-face meeting at official level" with Sinn Féin.

Mr Albert Reynolds, the former prime minister from the opposition Fianna Fail party, yesterdey became the first senior politician to meet Mr Adams following the London bombing. Mr Bertie Ahern, Mr Reynolds' successor as Fianna Fail leader, accused the British government and British opposition parties of "seriously misbandling" tbe peece process. "If Sinn Féin and the IRA have severe credibility problems in the ligbt of commitments they have made, so too, unfortunately, do the Britisb government," Mr Ahern said.

The Reverend Ian Paisley (left), leader of the hardline anti-nationalist Democratic Unionist party, leaves the prime minister's residence at 10 Downing Street in London after discussing elections and tighter security in Northern Ireland. With Mr Paisley is Peter Robinson, deputy leader of the party

Parties in republic unite to condemn IRA

By John Murray Brown in Dublin

Political parties in tbe Republic of Ireland yesterday joined forces in condemning the Irish Republican Army as Mr John Bruton, the prime minister, said be would discuss the British proposal for elections in Northern Ireland.

Mr Bruton said his government's act of faith had been "thrown back" in his face by the IRA bomb in London last week. He was speaking et the start of a two-day special debate in the Irish parliament on the crisis in the peace process.

Mr Dick Spring, the deputy prime minister, said the people of Ireland were "tired of wars," and that "violence begets only violence – we demand peace."

Almost the strongest words of condemnation for the IRA were voiced by Mr Bertie Ahern, the leader of Fianna Fail, tbe main opposition party. As the guardian of constitutional republicanism, Fianna Fail is seen to enjoy special relations with Sinn Féin, the political wing of the IRA.

The debate was eagerly awaited for Dublin's responses to Mr John Major's statement to the House of Commons on Monday that parties would be asked to engage in an election to pave the way for substantive negotiations. But both Mr Bruton and Mr Spring – an architect of the Anglo-Irish relationship – declined to endorse the British premier's talks proposal while applauding the conciliatory tone of his speech.

Mr Bruton said that any elective process should follow from proximity talks, involving all the parties getting under one roof to agree the agenda and form for all-party talks. Mr Bruton said be "noted" Mr Major's proposals.

Mr Spring said Mr Major's "clarifications" on the British elections proposal had been "positive and belpful, and will make it easier for the elective approach to be considered calmly and rationally in the manner we would wish to see."

However, he said any elective process would need to be broadly acceptable, have an appropriate mandate and be inside the 3-stranded approach which takes in relations within Nortbern Ireland, between Northern Ireland and the Republic and within the island of Ireland and Great Britain.

Mr Ahern said the bomb had "made the task of those in Sinn Féin wbo have argued their political cause infinitely more difficult, raising doubts over Sinn Féin's infloence or Sinn Féin assurances on the IRA's intentions."

He called last week's London bomb a "provocation to other paramilitaries, which I bope they will firmly resist".

The Irish government's proposals for peace talks along the lines used by the US over Bosnia were "quite pointless", Mr David Trimble, leader of the Ulster Unionist party, said in Washington yesterday, our US Editor writes. Mr Trimble's party is the largest pro-Britisb party in Northern Ireland. Mr Trimble, wbose two bours of talks with White House officials on Monday included 25 minutes with President Bill Clinton, repeated his hope that the US would apply sanctions on Sinn Féin, either by curbing its fundraising in the US or by denying visas to its leaders. But be said be had received no sucb assurances from the White House and added that it was probably too much to expect the US to concede it had made "a ghastly mistake" in issuing a visa to Mr Gerry Adams, president of Sinn Féin, two years ago. Mr Trimble also dismissed suggestions that former Senator George Mitchell, bead of the international panel on arms decommissioning, be appointed as a special "peace envoy" to bring all parties to the negotiating table.

England may win Korean $1bn unit

By John Burton in Seoul and Roland Adburgham in Cardiff

The LG group of South Korea is considering building e semiconductor and consumer electronics manufacturing complex in Britain at e cost of more than $1bn.

The project would be the largest Korean investment in the UK, exceeding the $700m consumer electronics complex that was recently opened by Samsung Electronics in north-east England. A final decision is expected by midyear, with construction due to begin in late 1996 or early 1997, LG officials said.

The location of the factory complex, which will include production of television plcture tubes and air conditioners, has not been decided, although LG has been examining areas in western England and Wales. "We focused at first on Wales, but are now switching our interest to western England," said an LG executive.

LG already produces video recorders and microwave ovens in Newcastle upon Tyne, north-east England, but bas ruled out the city for the proposed new unit.

Ireland is also considered a possible cboice, althongh its chances of being selected are rated lower than Britain's.

LG's interest in tbe UK comes as Mr John Major, the prime minister, prepares to travel to Soutb Korea early next month in a drive to attract more investment.

The UK is emerging as the leading area of Korean investment in the European Union.

LG's possible expansion into the UK is part of its strategy to establish manufacturing facilities in principal global markets. It recently announced that it will soon start building a $1.3bn semicondnctor plant in Malaysia and a $600m electronics factory in Indonesia.

Wales has just won its first Korean investment with the announcement that Halla would open a plant to mannfacture construction equipment.

UK NEWS DIGEST

Former Matrix workers may sue government

Former Matrix Churchill employees plan to sue the government for compensation, saying that the machine tool company at the heart of the arms-to-Iraq affair was bankrupted by government intervention.

Former employees expect Sir Richard Scott's report on the affair – due to be presented to parliament tomorrow – to show that the prosecution of the company's management for breaking export guidelines to Iraq was unlawful. The company collapsed after the directors' arrest, leaving more than 650 staff out of work. Sir Richard will judge whether ministers abused their power in allowing the prosecution of Matrix Churchill managers for illegal arms exports to go ahead.

Mr Tony Farrell, a former toolroom fitter at Matrix Churchill who is leading the compensation campaign, said: "If the Scott report shows that the government's intervention was wrong – and ministers knew about the export licences – then we will sue for compensation." Mr Farrell said the arrest of three of the company's directors by Customs and Excise officers in October 1990 came a day before the planned signing of a management deal to buy out the company, "saving hundreds of jobs".

● The government has given Sir Richard Scott's report on arms sales to Iraq to a larger group of ministers than originally agreed, fuelling allegations that those criticised have been given the opportunity to prepare their personal defences. The decision is controversial, given that government officials subject to attack in the report have had no similar privilege and opposition leaders have had only minimal access to it. Mr John Major, the prime minister, has made clear that he will stand by ministers criticised by Sir Richard.

Robert Peston, Westminster

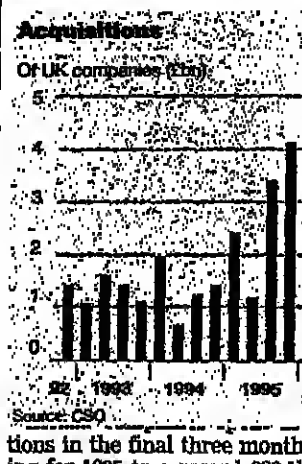
Arms control urged

Independent arms control pressure groups called in London for a European code of conduct on arms exports to curb military sales to repressive regimes. The call for e European standard comes just two days before publication of the Scott report. Saferworld, the British American Security Information Council and the World Development Movement, all arms control groups, proposed that arms control measures should be inclnded in the EU Intergovernmental Conference review of the Maastricht Treaty. The groups want a code of condoct on arms sales which would curb exports to countries with poor human rights records, dictatorial regimes, aggressive military powers and areas of the world with a history of military instability.

Ms Bronwen Brady of BASIC said that if the EU and the US both implemented guidelines, 80 per cent of the world's arms exports could be subject to stringent controls.

Bernard Gray, Defence Correspondent

Acquisitions level rises



Companies outside Britain spent £4.1bn ($6.3bn) buying or merging with UK companies in the final three months of last year, official figures sbowed. It was the highest quarterly level of spending for almost six years. Non-Britisb companies' spending on UK ecquisitions in 1995 as e wbole was £11.1bn, the highest total since 1989. More than half of investment in the UK in the final quarter of 1995 was by companies from the US – a switch from the rest of the year when most investment came from the EU.

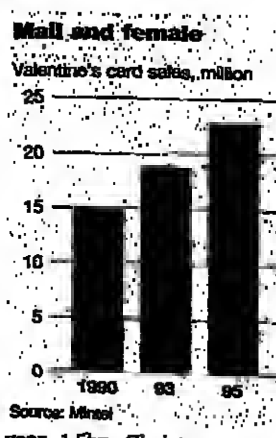
…n on UK mergers and acquisitions in the final three months of last year. That lifted spending for 1995 to a record £32.1bn, the Central Statistical Office said.

But British companies' spending on acquisitions in other countries declined for the fourth successive quarter to £1.6bn. In 1995 spending on such acquisitions by UK companies was £10.9bn, £4.2bn lower than in 1994.

● Figures from the Bank of England yesterday showed that British companies raised a net £2.2bn on international capital markets last month, almost double the amount raised in January 1995. Purchases of UK companies were dominated by two large transactions which eccounted for 78 per cent of total spending: the purchase by Rhone Poulenc Rorer, the US drugs company, of UK rival Fisons, and the purchase by Southern Company of the US of South Western Electricity.

Graham Bowley, Economics Staff

Card sales go on rising



Sales of St Valentine's day card sales rose to 23m last year, up from 19m in 1993 and 15m in 1990, says Mintel, the market intelligence group. It forecasts strong sales again this year. About £880m ($1.36bn) was spent on greetings cards of all types last year, with more cards purchased per head of population in the UK than anywhere else. Card buyers are more likely to be female than male, with 17 per cent of men sending greetings cards for a wide range of occasions, not just Christmas and birthdays, compared with 46 per cent of women. Last year 1.5bn Christmas cards were sent and 560m birthday cards. Further growth in sales of Valentine's cards could be stimulated by adopting American practices, says Mintel, explaining that in the US it is common for children to send all their classmates' Valentine's cards.

Diane Summers, Marketing Correspondent

Sale of state rail company hits serious obstacle

By Robert Peston, Political Editor

Privatisation of Railtrack has hit a serious obstacle as the owner of Britisb Rail's track and stations is insisting that its debts sbould be £1bn ($1.53bn) less than the level sought by the government.

In order to maximise the proceeds from the sale, the government is insisting that Railtrack, scbeduled for privatisation in May at an estimated value of ebout £1.5bn, should have debt of just over £1bn. But the company's directors argue that it can sustain only a tiny amount of borrowing.

"I cannot pretend it is not a serious problem," said e minister. There had been bopes that the dispute would be settled this week. However, thst is now considered bighly unlikely. Those involved in the talks said there were only two or three weeks left to sort out the problem if the sale is to go ahead on time.

Railtrack has an estimated £1.5bn of debt, and the government bas told the company that lt is prepared to write off only a few bundred million.

It is understood that, subject to the government changing other aspects of the share sale, Railtrack may eventually be prepared to agree to take £750m of debt. "But there is no chance of going any higher than that," said an executive.

While merchant bankers involved in the deal were yesterday trying to play down the gravity of the problem, the government and the company are far less optimistic.

"We are right up against the wire," said a minister. "One of us has to give ground but neitber is prepared to do so." Another member of the government launcbed a ferocious attack on Railtrack. "They forget that we have all the expertise in privatisations," he said. "Do they think we were born yesterday?"

The Department of Transport and the Treasury, jointly responsible for the sale, are taking a particularly tougb line on Railtrack's eventual indebtedness because there is a widespread view in government that in previous privatisations it has been too soft.

"We have heard these arguments a million times before," said a minister. "Every time a company approaches privatisation, it complains that its viability will be jeopardised if we don't cut the debt. Then hey presto, after privatisation they slash their workforces and profits go through the roof."

Polly Peck Former personal assistant denies handling stolen money

Nadir aide 'laundered' £400,000

By John Mason, Law Courts Correspondent

Mrs Elizabeth Forsyth, the former personal assistant to Mr Asil Nadir, leundered almost £400,000 stolen by the former Polly Peck cbairman from the business empire he headed, a jury at the Old Bailey (central criminal court) in London was told yesterday.

Mr Nadir stole the money from the publicly quoted Polly Peck International to pay off large debts run up through his private business activities, the court heard. He used Mrs Forsyth to ensure there was no trace the money belonged to Polly Peck, it was claimed.

Mrs Forsytb faces two charges alleging she handled stolen money totally £395,050. She denies both charges.

Opening for the prosecution for the Serious Fraud Office, Mr David Calvert-Smith outlined how under Mr Nadir, Polly Peck grew in the 1980s to become one of the UK's top 100 companies with subsidiaries in the UK, northern Cyprus, the Far East and the USA.

By 1990, Mr Nadir owned 25 per cent of the company – a stake worth some £300m. He retained close personal control over the company, even maintaining the ability to be the sole signatory on Polly Peck cheques of any size, Mr Calvert-Smith said.

Mrs Forsytb bad first encountered Mr Nadir when she was working for Citibank in Mayfair as a personal finance adviser. One of her clients was Mr Nadir. In 1987 the Polly Peck chairman employed her as his personal financial assistant on a salary of £45,000 a year plus expenses, the court beard.

The same year, Mr Nadir set up South Audley Management to control his private business activities. Mrs Forsyth, who was never employed by Polly Peck, became its chairman, Mr Calvert-Smith said.

The money allegedly stolen from Polly Peck by Mr Nadir and laundered by Mrs Forsyth was diverted in two directions, Mr Calvert-Smith said.

Baggreve Farm, an estate, house and farm owned by Mr Nadir, received some £88,000. This transaction was not carried out in the normal course of Polly Peck business since the money flowed out of Polly Peck and into Mr Nadir's private empire, he continued.

The remaining £305,000 went to stockbrokers A.J. Bekhor to repay debts incurred by Mr Nadir in connection with purchases of Polly Peck shares, Mr Calvert-Smith went on.

The thefts were made possible because Mr Nadir had complete personal control of the company's bank accounts, he said. The Polly Peck board was never consulted about the payments, Mr Calvert-Smith said.

NEWS: UK

Stealth design would replace Harrier and F-16

Finless aircraft enters US defence contest

By Bernard Gray, Defence Correspondent

McDonnell Douglas and British Aerospace yesterday unveiled their design for the generation of fighter aircraft beyond the Eurofighter. The new design could replace the vertical-take off Harrier and the Tornado attack aircraft after 2010.

The two companies, working with Northrop Grumman, have produced a radically new design for the fighter which will not have a tail fin. Instead, the aircraft's stability will be controlled by directing the thrust of the engine's exhaust.

Removing the fighter's tail fin cuts the aircraft's radar reflection and so makes it easier to elude enemy defences. The new fighter will also be specially shaped and made of non-reflective materials, like the F-117 stealth fighter used by US forces in the Gulf War. This will reduce further the new aircraft's radar image.

The design is one entry for the US Joint Advanced Strike Technology programme (JAST). The JAST is intended to find a single aircraft to replace a number of existing machines. Those are the Lockheed Martin F-16 light fighter for the US Air Force, an aircraft-carrier-based fighter for the US Navy to replace the F-14 and F/A-18 and a vertical take-off jet to replace the US Marines AV-8B Harrier jump jets.

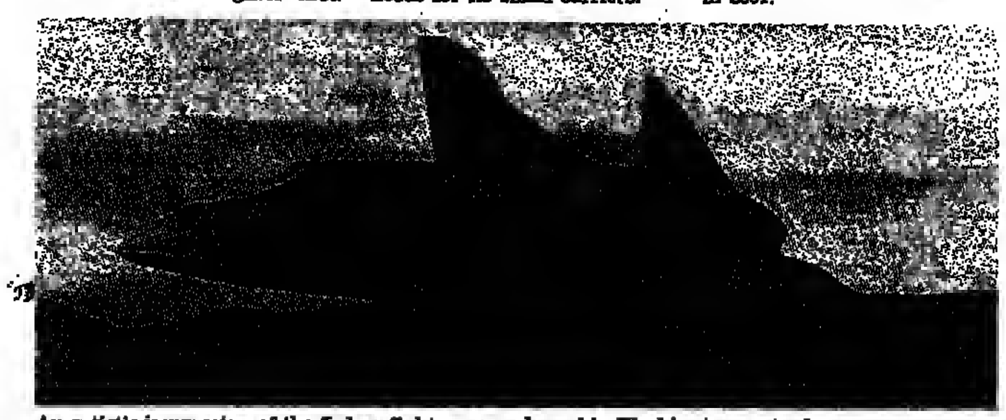
Britain is interested in the JAST because it will need a replacement for its F/A-2 Sea Harriers by 2015 if the nation is to continue with aircraft carriers. The JAST is the only programme which could provide the UK with the jump jets it needs for its small carriers.

The UK may also consider the JAST aircraft for a ground-attack replacement for the Royal Air Force Harrier GR7 and Tornado GR4, which can both provide air cover to the battlefield and strike deep behind enemy lines.

However, the UK is also studying a Future Offensive Aircraft with Dassault of France, and this could also take on these strike roles.

Boeing and Lockheed Martin are producing rival designs for the JAST programme, which may have an eventual world market of 3,000 aircraft. Lockheed's entry is based on its new F-22 stealth fighter for the USAF, while Boeing is producing a new design.

The Pentagon is expected to choose two teams for prototypes in October, with the winning aircraft due to be selected in 2001.



An artist's impression of the finless fighter was released in Washington yesterday

EU sceptics soften stance

By James Harding at Westminster

The Eurosceptic right of the governing Conservative party yesterday stepped into line with the party leadership by dropping demands for the government to rule out British participation in a single European currency.

Eight Tory MPs once deprived of the party's whip because of their opposition to its European Union policy said monetary union would be acceptable if approved by two-thirds of the population in a referendum.

Sir Teddy Taylor, one of the most vocal opponents of further integration into the EU, said the modest climbdown from their previously intractable opposition to a single currency was "a move towards consensus in the party". He added: "This has to be regarded as a sensible compromise – something that can be generally acceptable to Eurosceptics and the few supporters of a single currency in the party."

The acceptance of a referendum, albeit one with stiff conditions, signals a return to the government fold for the eight. Despite growing Eurosceptic opposition to a single currency, Mr John Major, the prime minister, has not ruled out the UK joining a single currency and has left open the possibility of a referendum.

The call for a referendum was part of an otherwise uncompromising paper from the eight, advising the UK government to "move the discussion forward in the direction of a looser, less centralised European Union".

However, familiar calls for abolition of the Common Fisheries Policy and the demand for a reassertion "of the primacy of British law" infuriated supporters of the EU in the Tory party. At a launch of an alternative paper by the European Movement, a cross-party pro-European group of MPs, Mrs Edwina Currie described Sir Teddy and the other rebels as "coming from another planet".

The European movement, unlike the formerly whipless rebels now known as the Group of Eight, supports a limited extension of qualified majority voting and the development of a European foreign and security policy.

State health service: Private finance is injected

'Americanisation' row fails to deter entrants

By Mark Suzman in London

The recent announcement that a company with US links has made the shortlist for a contract to build a hospital for the state health service in Scotland has led to outrage in the service and political ructions outside it.

The opposition Labour party has said this could lead eventually to the "Americanisation of our hospitals", bringing with it "all the problems in US healthcare".

Even if Westminster Healthcare wins the private finance initiative contract for the Stonehaven hospital, few observers would expect it to signal any big expansion of non-UK operators in the state health service. Westminster is a UK-based private nursing home operator 41 per cent owned by US-based Tenet Healthcare.

The state service's private finance unit oversees the programme under which companies are invited to design, build, finance and operate projects. The unit says several non-UK banks have expressed interest in the finance side of the British government's private finance initiative (PFI). But few international companies have made formal bids for building or management contracts.

Analysts say the focus of any non-UK expansion in the healthcare market will continue to be in the independent sector in spite of opportunities raised by PFI.

One long-time observer of the health industry said: "Most of the involvement is likely to be in the private sector, particularly the rapidly expanding area of long-term care provision for the elderly."

That has already started. Apart from Tenet's stake in Westminster, another US company, Sun Healthcare, last year acquired 20 per cent of Ashbourne Homes, one of Westminster's main rivals. That stake was recently increased to 24 per cent with the understanding that there would not be any attempt by Sun at a hostile takeover.

Mr Martin Feeney, Ashbourne group finance director, said many US companies were waiting for the community care legislation of 1993 to bed down before making a move. "I think that more potential American investors will be coming over to the UK and Europe within the next five years," he said. "Their market is much more mature than ours and we offer good investment opportunities."

But interest in the UK healthcare market is not confined to the long-term care sector or US companies. Parkway Holdings, the Singapore-based property company which recently bought Tenet's Asian operations, has started building a heart centre in central London.

According to Mr Peter Temperton, the hospital's director, the decision to expand in the UK was mainly because of access to specialist care.

Nurses are on a collision course with the state health service after union representatives agreed to push for a 4.5 per cent pay claim on top of a 2 per cent national award announced last week. The government has offered nurses and midwives a 2 per cent national increase which could be topped up by unspecified local awards. Nurses and midwives were angered by the government's offer of a national award for junior hospital doctors that could give them pay increases of more than 5.3 per cent. Mr Bob Abberley, head of health at Unison, the public services union, said that several unions were united in their determination to win 5.5 per cent. Mr Philip Hunt, director of the National Association of Health Authorities and Trusts, said 6.5 per cent was "wildly unrealistic".

Similarly, French company Générale de Santé International, a subsidiary of utility Compagnie Générale des Eaux, has owned UK-based acute hospital provider BMI Healthcare since 1990. Last year the company formed BMI/Columbia Healthcare, a joint venture with Columbia/HCA Health Care Corporation, one of the biggest US healthcare providers, to run four private acute London hospitals including the Harley Street Clinic with a combined total of 600 beds.

One area of the health service in which companies from outside Britain are keen to increase involvement is in facilities management for hospitals. Although Mr Stephen Dorrell, the health secretary, has ruled out any private provision of clinical services, many hospital trusts are contracting out cleaning, catering and other services.

Mr Alan Langlands, the NHS chief executive, said: "The principle [of private facilities management] is quite well established and foreign-owned firms are certainly free to offer their services."

Last year Marriott Management Services, the world's biggest contract services organisation, acquired Taylorplan, a big UK-based management services group, with a view to expanding hospital involvement in Britain. "We see the UK market as having good growth potential," said Marriott. To the frustration of many operators, while the British may now be more tolerant of foreign ownership of many industries, healthcare remains a sensitive area.

"All the fuss is quite unnecessary," said Mr Barry Hassell, chief executive of the Independent Healthcare Association, an umbrella group for most of the UK's private healthcare providers. "The issue of ownership is a red herring. Its the quality of the establishment that should count."

More parts of electronic goods will soon be recovered and reused, write **Jane Martinson** and **Andrew Baxter**

New life for old equipment

When you want to update your personal computer or buy a smaller mobile phone what do you do with the old one? Most people either try to sell it or put it in the garage. Something similar is practised by the commercial sector, although there are signs that this is changing.

Rank Xerox, the office equipment supplier, is among a number of companies which now offer a take-back service for customers. It estimates that 98 per cent of its photocopiers can be recovered and reused.

The move towards recycling and reusing electronic equipment has been driven by a welter of legislative proposals in Europe and the US as well as industry's own initiatives.

The arguments for taking back and reusing equipment depend to a large degree on the value of equipment such as photocopiers, with their mix of metals, glass, plastics and high technology, and environmental concerns about dumping it. But perhaps because of the variety of products affected, there is a lack of consensus on the best way to collect equipment and, most important, how collection should be paid for.

The actions of some big manufacturers such as Rank Xerox are not the norm. Using research conducted by Tufts University in the US and anecdotal evidence, Gregory Pitts, director of environmental programmes at the Texas-based Microelectronics and Computer Technology, a research and development consortium, suggests that 75 per cent of all electronic waste is in storage – the equivalent to the domestic garage – while less than 15 per cent goes to landfill sites or incinerators, 7 per cent is resold and 3 per cent is recycled.

At a conference in London last week, hosted by the US embassy, Pitts also produced research from 40 companies in the US which suggested that, on average, 10lbs of waste is created for every 4lbs of electronic product during its life-cycle from the materials used in the manufacture to product packaging.

Almost 100 companies, associations and local authorities heard that electronic waste is estimated to represent between 1 per cent and 2 per cent of all waste produced in the US and Europe but its impact is potentially much higher. This is true environmentally because of potentially contaminating materials such as lead and mercury, as well as economically.

The Industry Council for Electronic Equipment Recycling, a UK-based lobby group, estimates that the 6m pieces of electronic equipment sent to landfill sites every year could be worth £50m.

However, the value of recovered consumer equipment such as toasters and personal stereos, for example, is not as great as that of personal computers.

Information technology companies such as Rank Xerox tend to have lasting relationships with their customers. Machines are often on long-term leases and maintenance contracts are common. Collection is easier than for a company trying to recover its personal stereos, for instance.

While industry is concerned that legislation will be too restrictive without adequate research, the thorniest issue is who is to pay for the recycling of the products and how

Seven of the largest cellular phone manufacturers in Europe have seen a need to raise awareness about recycling, however, and have set up a group which aims to conduct a research project in Denmark this summer. The group is keen to raise awareness of the issue among the public and to collect more information, says Clare Pugh, environmental adviser at Motorola, the consumer electronics group which helped sponsor last week's conference.

Draft legislation produced by a working group on electronic waste is currently being discussed by the European Commission. This document suggests a number of targets based on different sectors. It suggests, for example, that offices and services equipment should contain 20 per cent reused or recycled components by 2000 and 50 per cent by 2010.

For consumer electronics and white goods the targets are 10 per cent and 40 per cent respectively. Early this year the Commission is widely expected to put forward legislation on the issue following action already taken by eight member states.

While industry is concerned that legislation will be too restrictive without adequate research, the thorniest issue is who is to pay for the recycling of the products and how.

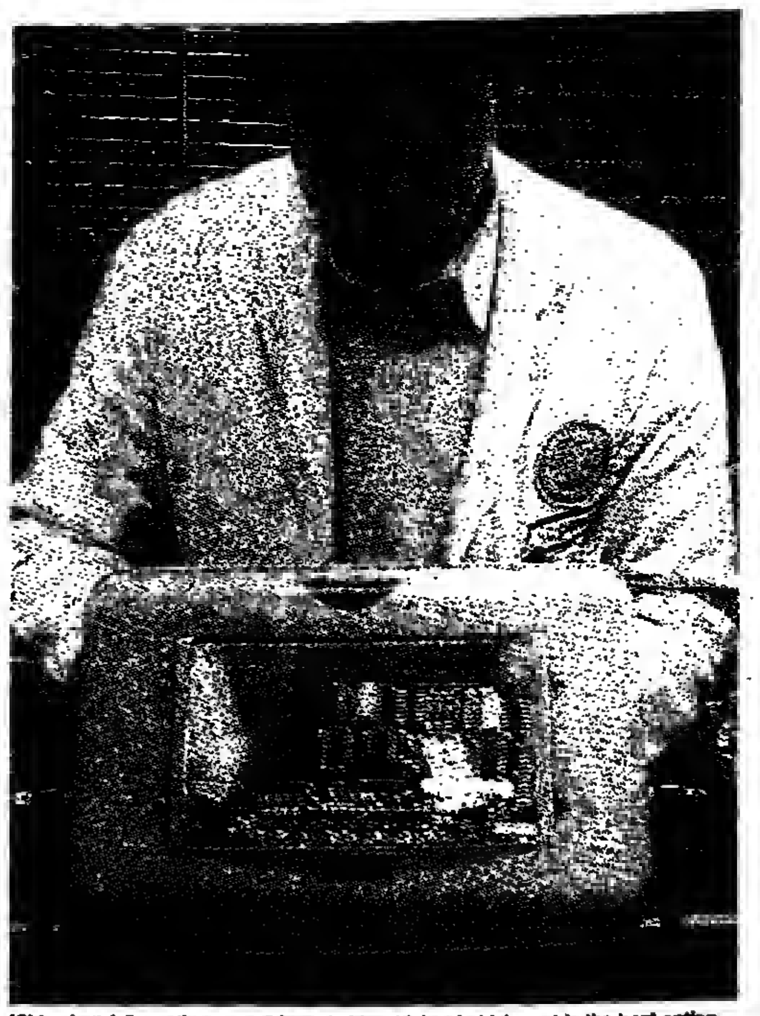
Options include imposing a levy on customers when they dispose of the equipment to pay for collection and recovery. This is opposed by some governments, including the Netherlands, which foresees increased dumping.

The Dutch and Swedish governments appear instead to prefer making it obligatory for companies to take back and recycle the products and pay for it by raising prices. This situation is more problematic when old machines have to be dealt with.

Rod Hunter, a Brussels-based lawyer, has criticised the approach of these governments by pointing out that they will impose "a retroactive liability on established companies that have the misfortune of having sold lots of products over the years".

The issue also has substantial potential for trade disputes, according to Gary Stanley, president of FedCounsel, a US law firm. The biggest dangers are design-based levies which discriminate against foreign manufacturers and restrictions on transportation that could force overseas markets to set up a recycling plant. With the profusion of different products involved and the range of answers proffered there will be no "single solution," he says.

JM



ICL's plant follows the green 'hierarchy' in which refurbishment is the best option

The recycling shopfloor

On the shopfloor at ICL's computer recycling centre in Cheshire, a worker painstakingly strips out the memory board from an old processor. Each board is worth about £25 because of the gold in the electrical contacts.

Another worker is removing the steel implants from an aluminium casting used in an old Fujitsu disk drive, already shorn of its magnet. The purer the scrap, the better price that can be obtained for it.

Only a few years ago, says Tony Adderley, geoeral manager of the centre at Byley, "all this used to be dumped in skips". Now the site is one of the few hig computer refurbishment, reclaim and recycling operations in Europe, with nearly 90 workers and a growing list of outside customers.

The Byley plant began life 15 years ago as a collection point for "life-expired" ICL computers, most of which were destined for disposal. They were brought there not for environmental reasons but to protect ICL's intellectual property rights – it did not want third parties to find out how to service them, depriving it of business.

The centre's role, however, has expanded as ICL's environmental awareness increased. The largest of the company's eight groups of environmental targets involves action to improve "design for dismantling" and for the recycling of prodncts at the end of their lives.

Legislation has encouraged ICL to broaden the activity at Byley, says Joy Boyce, corporate environmental affairs manager. The European Union has defined electronics as a "priority waste stream", meaning that targets will he set for recycling and reusing them.

Apart from the UK's own landfill tax, to be introdnced on October 1, the EU civil liability directive, currently in draft form, would impose an even stricter regime for equipment producers and consumers than is allowed for under the UK's 1995 Environment Act.

The Byley plant follows the green "hierarchy" in which refurbishment and remanufacturing are seen as the best option. This accounts for 20 per cent of Byley's business, and many of the refurbished, resprayed computers are sold to developing nations.

The next best option is reclaiming, or stripping out, modules such as discs, printed circuit boards and cahles, which are nsed in ICL's worldwide spare parts network. Reclaiming accounts for 50 per cent of the Byley centre's business, with the remaining 30 per cent deriving from recycling as much as possible of what is left.

This began with magnets, VDUs and precious and base metals, and has been expanded to cover, among other things, chips – many of which are sold to the toy industry. Some 20 specialist contractors collect material from the centre.

Mainframes have provided the most lucrative part of the recycling business, as they contain more precions metals. Increasingly, though, Byley is taking personal compnters, in line with industry trends.

This has focused ICL's attention on one of the thorniest issues in electronics recycling – the safe disposal of cathode ray tubes.

The glass used in CRTs is coated with a variety of heavy and rare earth metals, including cadmium, which can be carcinogenic. Customers and producers could be held responsible if CRTs were simply dumped on landfill sites.

ICL has been working on a solution with South Wales-based Mayer Cohen Industries, which specialises in recycling electronic and electrical equipment. Mayer Cohen is washing the coatings off the crushed glass and cleaning the water to leave a metal-rich sludge.

The next stage, on which work is yet to be completed, involves using modified plant fibres and micro-organisms which absorb different heavy metals, allowing them to be separated.

AB

OECD progress review

Once every five years, environment ministers from countries belonging to the Organisation for Economic Co-operation and Development meet in Paris to review progress.

The next gathering, which begins on Monday, will be presented with a report which tells them that progress is being made to improve the state of the environment. But it will also lay down an agenda for further action with the warning that work will have to be intensified just to meet existing policy commitments.

The OECD is not a place where binding international agreements are forged; it is more of a forum where ministers can discuss issues in a wider context. Bill Long, who heads the environment directorate, points out that it provides an opportunity to discuss environment and trade issues together, for example, because of the OECD's strengths in both areas.

Ministers will be reviewing progress in matters such as pollution control, and the integration of policies in areas that affect the environment, notably energy, transport and agriculture.

Looking ahead they will discuss ways that market forces can be made to play a greater role in encouraging sustainable development – and how government itself can become "greener".

The meeting will also receive a report on the integration of environmental and economic policies. This will look at the role that taxes can play, the impact on employment of environmental measures, and institutional reform, for example the instillation of greater environmental responsibility in economic ministries.

The OECD is a club of mostly rich countries concerned with industrial issues. But part of the focus of the meeting will be on east Europe for which a special environmental programme has been set up.

David Lascelles

ARTS

Television/Christopher Dunkley

More light shed on the news

Television journalism has changed radically in the past five years, is still changing, and will change more over the next few years. The thought has been brought home forcefully by the way in which television responded to the South Quay bomb and to the imminent appearance of the Scott report.

In daily news the most important change in the last few years has been the opening of 24-hour news channels in both radio and television. Any major news event – ideally a war – is meat and drink to these networks which, during most of their existence, attract attention in a pretty desultory fashion from most viewers.

However, nowadays an event such as the Docklands bomb sends many of us into frenzied button-punching and dial twiddling as we hunt for Sky News, CNN, Radio 5 Live, and – in the capital – London News Radio. It would be interesting to know what proportion of Londoners joined in this frenzy on Friday evening immediately after hearing and feeling the blast: it certainly happened in our household. At such times we do not expect the news networks to seem calm and polished. The important thing is simply that they are there, sticking to the subject, and telling us the moment they hear anything new. Of course, if you are going to operate as a rip-and-read service it is best to have someone who is good at reading, a point which they might keep in mind at the cable network, Channel 1.

What comes as rather a shock is to find, two hours after the blast, that BBC television's flagship news programme, the *Nine O'Clock News*, looks much the same as the 24-hour channels. Perhaps it is unreasonable, but we do rather expect the big boys (and that also includes ITV's *News At Ten* which, coming on an hour later, did look more smooth and concise) to appear calm and polished. The *Nine O'Clock News* devoted 35 minutes of its "extended" bulletin to the bomb, and much of that was a waste of time. The lack of pictures of the bomb site was presumably no fault of the BBC's, but the inclusion of repetitive banalities from witnesses ("There was a loud bang and the shelves fell off the wall") was. Nor does it really seem to be "*news*" of a *magnitude calling for reports* from the BBC's political editor that the prime minister "is said by those close to him to be shocked and angry". Gosh, really?

Instead of behaving more than usually like the 24-hour news networks on these occasions, the flagship news programmes should surely be doing the opposite and taking their cue from the BBC World Service, providing as much definite information as possible on the big story and then moving on to the rest of the world's news. If viewers want to stay with the single breaking story they know that these days they have the 24-hour channels.

As for content, there was, as with previous bombs, one peculiar omission. Why does no politician on these occasions ever get on television and ask "Why is the IRA so frightened of democracy? What makes them think their bombs will work now when they never have before? And, given the spirit of Londoners during the blitz, do they really imagine that the reaction now will be 'Oh dear, we're so scared, we'll do whatever you want'"?

If the South Quay bomb showed television journalism in a less than brilliant light, the programmes so far about the Scott Inquiry have been pretty compelling, and interestingly varied in their approach. *Dispatches* on Channel 4 started us off a week ago with a programme which told quite a lot about Scott the man. Not only did he impress as someone with a sharp mind, but the more the programme gave the stage to his detractors – Lord Howe and his ilk – the more it seemed that Scott must be onto something significant. Why such desperate keenness to bad-mouth him otherwise?

In *Scott Of The Arms Antics* on Saturday, again on Channel 4, producers Elaine Morris and Dennis Woolf used various studio techniques (reconstruction of the inquiry, squibs from Rory Bremner, oral journalism from Paul Foot, satirical sketches from two actors playing civil servants, straight presentation from Sheena McDonald, graphics, interviews) to create a combination of journalism, comment and entertainment. Though it cried out for the two Johns – Bird and Fortune – to play the civil servants, it worked extremely well and the formula could easily be adapted to many other topics.

BBC2's *Government On Trial – The Scott Report* covered much of the same ground, though in a far more conventional manner and, in a remarkable number of instances, given the hundreds of thousands of lines of evidence at the inquiry, agreed with *Arms Antics* on the most quotable passages. John Major's "Something that I was not aware had happened suddenly turned out not to have happened" is irresistible, of course, as is Lord Trefgarne's "Very vigorous implementation of a flexible interpretation" of the guidelines.

However, the most telling programme may well prove to be the "Screen Two" production on BBC2 this coming Sunday. When Nicholas Kent staged *Half The Picture* at the Tricycle Theatre in Kilburn, north London, in June 1994, this column ended with the words "the quicker somebody in television snaps up this message and delivers it to a national audience, the better". It has taken a year and eight months but this straightforward staging of extracts from the Scott Inquiry should be admirably suited to the small screen.

Television news and current affairs have come a long way in a relatively short time. You do not have to be more than middle-aged to remember when the most mobile form of television news equipment was a man perched on top of a shooting brake clutching a vast camera on a tripod. At that time broadcasters blithely operated under "The 14-Day Rule" which banned them from making programmes about any subject due to be discussed in Parliament within the following fortnight. The contrast between that and the anything-but respectful treatment of politicians in the Scott programmes is dramatic. Some will argue that the change has been retrograde, but posterity will surely see this as television taking up its rightful place within the fourth estate.

★

The Steven Bochco series *Murder One*, subject of last Saturday's TV column, which is currently being screened by Sky Movies, will be shown on BBC2 from the beginning of March.

A Kodo drummer: the Japanese group's display is almost as exhausting for the spectator as for the company

Kodo drums up enthusiasm in Bruges

Bruges could easily congeal into an architectural museum piece of Renaissance gothic, a demurely Flemish gem of canals and hump-backed bridges, churches and merchants' mansions; but it has a liking for the exotic. Its 19th-century theatre, conventional town-hall Palladian on the outside, is an unexpectedly pretty froth of gilt and painted ceilings, complete with royal box, plus a foyer bar that apparently shares the proportions of Wilton House's double-cube room beneath a ceiling worthy of Versailles. And at the beginning of February, when the canals of this "Venice of the north" are frozen hard enough to bear even Flemings' weight, it resounded to the sound of Japanese drums.

A short festival of folk-cum-New Age music ended with Kodo, the percussive group that combines stylised visuals with rhythm and energy on varied traditional percussion. On a European tour also taking in France, Germany and Holland, they come to Britain at the end of the month. In Britain they have already become something of a cult despite a very different reception from another mainly British audience at the Hong Kong Festival where, Kodo's artistic director Motofumi Yamaguchi cheerfully tells me, the plainly puzzled public sat on their hands and applauded nervously.

But then Kodo (the Japanese symbols that make up the word suggest both "heartbeat" and "children of the drum") puzzles even Japanese critics. When I ask Yamaguchi whether he considers the performance is primarily theatre, music or dance, he clasps his forehead in mock anguish. "It's very difficult. There are theatrical elements but it's a music ensemble. In London there will be a dance piece. The lighting adds a theatrical element, very simple but you don't see this kind of lighting in normal concerts." One thing is certain: drums is what they edvertise and drums is what you get.

The instruments may be traditional but the company's use of them is retbought in e modern way – visitors to the Wells will recognise rhythms ranging from ragtime to "Turkey in the Straw"-type square-dance beats besides subtler syncopations. Kodo is neither a folk-group nor a purist Early Music ensemble. The company consciously mixes old and new as a sort of reply to what a number of Japanese felt was a cultural threat. "After the second world war everything was westernised," the artistic director explains, "especially because of the American influence. Kodo began when people were wondering about their cultural identity."

Even their finances are stubbornly independent. "Our main income is from performances – 130 to 140 per annum; we spend eight or nine months on the road. We sell CDs and some instruments. It's our policy. We like to be independent. We don't want support from a corporation or the government. Once there's a corporation behind you they start telling you what to do." Courageous words to western ears.

Based very mnch as a self-contained community on a Japanese island, Kodo plans to start e cultural foundation in two years, aiming to promote percussion workshops and music education for young people as well as inviting foreign artists to play and teach. Kodo's half of the bill was preceded by Guo Yue, an exiled Chinese composer-performer who talks charmingly in English of his childhood in Peking (as he still calls it: BBC take note) and his mother's torture by Red Guards.

His music, with the help of a British cellist and a French chanteuse, just steers clear of Easy Listening. Kodo's display, however, is almost as exhausting for the spectator as for the company: variations rung on a selection of instruments, from tongue-in-cheek tapping to the huge drums attacked hypnotically by sweaty, loin-clothed acolytes.

The Flemings react unphlegmatically. But then in the Saturday morning open-air market, among the pens of nervous poultry and aggrieved geese I notice a crate of live peacocks displaying the baffled hauteur associated with passengers in the tumbril. Bruges always welcomes the exotic.

Martin Hoyle

Kodo is in Birmingham and Liverpool on February 27 and 28 respectively, and Sadler's Wells from March 4-16.

Theatre/Alastair Macaulay

'The Entertainer' revived

Forty years after *Look Back in Anger*, and over a year after his death, how important a playwright does John Osborne remain? Is his importance chiefly local? The best place to find out the answer is in live performance. For this, we need theatres which will revive his plays. Congratulations, therefore, to those that have, and in particular now to the Birmingham Rep and to Leeds's West Yorkshire Playhouse for reviving Osborne's 1957 famous but seldom-revived play *The Entertainer*. The production is excellent, and the play is still full of Osborne's deadly, witty, authoritative anger.

The British music-hall is dying; and so is Britain. Boldly and potently, Osborne ties together these two levels of his play, so that Archie Rice – the middle-aged song-and-dance performer who is this play's hero – expresses, both by metaphor and in direct utterance, the moral emptiness at the core of Osborne's Britain. Archie is gutless, heartless, treacherous, charming, rude, funny, unoriginal, but above all exhausted. And it is Osborne's great achievement that Archie becomes not hateful, but pathetic; and shockingly self-aware; and exceptionally interesting.

Archie knows that his act is faded, and that the music-hall is fading, and that he is a bad husband and son, and that he is virtually incapable of serious feeling. The death of a son hits him hard, but he will carry on. He cannot change his life. More depressingly, his sophisticated daughter Jean, who has the brains to get away, will probably stay put too.

Archie's run-down life onstage is alternated – this is Osborne's central and most brilliant device – with his run-down life offstage. And the two worlds overlap. (The connections are ideally caught in this staging, especially by Nettie Edwards's designs.) Archie sings about both Britain and self, and a ludicrous mock-nude Britannia becomes part of his stage act; songs and stage business are part of the Rice home. At the end, with Rice not wanting to leave the spotlight, the suggestions of the play's central metaphor reach their most intense. What life is there for Archie after showbiz? What life is there for Britain after Empire? Is the British character merely a showbiz act? For Sally Bowles, life is a cabaret; for Archie Rice, Britain is a tired song-and-dance act.

This play is most celebrated because Laurence Olivier "created" Archie Rice, its title role. Olivier's own role here is very well taken by David Ross. His stage make-up, with overblown eyebrows, is fascinatingly close to Jack Nicholson's Joker (in the *Batman* movie), his dances and stage-stuff tread just the right unnerving border between delightful professionalism and stale routine, and he seamlessly connects the two worlds of Archie's life. His shattering big speeches raise the voltage considerably, and his domestic manners, especially to his wife Phoebe, are marvellously jaded.

But perhaps the finest achievement of Anthony Clark's staging is that he makes the offstage world around Archie Rice almost as absorbing as Archie himself. Gillian Hanna's Phoebe is especially fine. She starts as a two-dimensional silly, works up to riveting domestic rage under the influence of alcohol and then diminishes again to an even more unsettling domestic complacency. She and Lucy Briers, as her step-daughter Jean, catch the 1950s period very well. Richard Mayes is rather more bland and slow as Grandpa than I can bear; but Martin Parr makes a keen impression in the tiny role of Jean's fiancé Graham.

At the Birmingham Rep until March 2; then at the West Yorkshire Playhouse's Quarry Theatre, Leeds, from March 27 to April 20.

★

Recital/Adrian Jack

A Liszt marathon

What sort of person, you may wonder, undertakes to record all of Liszt's piano music – some 80 CDs when the project is completed? Leslie Howard, who is well into it now (he started 11 years ago), is not just an athletic pianist but also a Liszt scholar. In his Friday night recital at the Wigmore Hall he gave the first London performances of Liszt's own piano versions of *Der nächtliche Zug* and his symphonic poem *Les Préludes*.

The "Nocturnal Procession" is a quiet, characteristically casual-sounding contemplation threaded with plainchant, which Howard played with affectionate delicacy, following its effectively inconclusive ending with the whirlwind of the much better known second Episode, *Der Tanz in der Dorfschenke* usually known under the title of *Mephisto Waltz No 1*. A little patch of fluffing just showed he was human and altogether, coming at the end of a strenuous evening, it was pretty impressive.

Much of *Les Préludes* is lyrical and transparent – that was beautifully captured, too – but it builds up in a style not far from Wagner's *Tannhäuser*. Howard rattled out the galloping octaves and furious scales against thunderous chords with confident bravura. There are some small differences between the orchestral and piano versions, but lacking diverting contrasts of instrumental colour, the latter seemed to expose some discontinuities and breaks in continuity.

As if all this were insufficient exercise for Howard's fingers, not to mention the demands on his concentration and memory, he played Beethoven's "*Hommerklovier*" *Sonata* before the interval. A sense of struggle is to be expected in the work – yet Howard played it as if it should present no problem, with a lot of gusto but little sense of strain. He was also accurate.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Radio Kamerorkest and Groot Omroepkoor: with conductor Frans Brüggen, soprano Luba Orgonasova, alto Birgit Remmert, tenor Wolfgang Bünten and bass Hanno Müller Brachman perform Haydn's Symphony No.73 and Mass No.9 (Nelson), and Stravinsky's Mass; 3pm; Feb 17

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Christine Schäfer, Sarah Walters and Richard Jackson: accompanied by pianist Graham Johnson. The soprano, alto and baritone perform songs by Schubert, Wolf, Poulenc, Brahms, R. Strauss, Berlioz, Shostakovich, Weber, Arne, Britten and Vaughan Williams; 8pm; Feb 19
● The Menuhin Festival Orchestra: with conductor Yehudi Menuhin perform Prokofiev's Symphony No.1 (Classical), Shostakovich's String Quartet No.8 (Chamber Symphony), and Beethoven's Symphony No.7; 8pm; Feb 15
● Wolfgang Boettcher and Ursula Trede-Boettcher: the cellist and pianist perform works by Beethoven; 8pm; Feb 15

■ CAMBRIDGE (US)

EXHIBITION
Arthur M. Sackler Museum
Tel: 1-617-495-9400
● The Arts of Deccani India: exhibition devoted to the artistic traditions of the Sultanates of the Deccani Plateau in central India, which flourished from the 15th through the 17th centuries under the patronage of the Bahmanid, Barid, Nizam Shahi, Qutb Shahi, and Adil Shahi dynasties; from Feb 17 to Apr 28

■ CHICAGO

EXHIBITION
The Art Institute of Chicago
Tel: 1-312-4433600
● Worlds Seen and Imagined. Japanese Screens from the Idemitsu Museums of Arts: 55 rare screen paintings from the collection of the Idemitsu Museum of Arts are the focus of this exhibition. Dating from the 15th through the 19th centuries most of the works are six-panel screens; from Feb 17 to Apr 5

■ DENVER

EXHIBITION
Denver Art Museum
Tel: 1-303-640-2793
● Edward Ruscha: The End: exhibition of a collection of paintings created between 1991 and 1994 by this American Pop artist. The works recreate the style of script found typically at the end of an old movie; to Feb 18

■ HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Swan Lake: a choreography by Bourmeister after Petipa/Ivanov to music by Tchaikovsky, performed by the Helsinki Ballet; 7pm; Feb 17

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Don Giovanni: by Mozart. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester; 7pm; Feb 17

■ LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Gustav Kuhn and pianist Peter Lang perform Mozart's Symphony No.2, Piano Concerto No.22 and Symphony No.38; 9.30pm; Feb 15, 16 (6.30pm)

■ LONDON

CONCERT
St John's, Smith Square
Tel: 44-171-2221061
● New London Collegium: with conductor Ronald Corp and organist Jennifer Bate perform works by Reger, J.S. Bach and Franck; 7.30pm; Feb 15

EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
● Richard & Marie Cosway: Regency Artists of Taste and Fashion: the artistic couple Richard and Maria Cosway, active in Europe during the late eighteenth and early nineteenth centuries are subject of this exhibition comprising some 250 works drawn from public and private collections, including miniatures and jewellery, portrait and subject drawings, engravings, oil paintings and works of art from the Cosway collection; to Feb 18

OPERA
London Coliseum
Tel: 44-171-8360111
● Les Pêcheurs de Perles: by Bizet. Conducted by Michael Lloyd and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 7.30pm; Feb 16, 21

■ MILAN

CONCERT
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Coro del Teatro alla Scala: with conductor Roberto Gabbiani and the musicians of the Teatro alla Scala perform Stravinsky's Mass and Les Noces; 9pm; Feb 17

■ NEW YORK

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Aida: by Verdi. Conducted by Christian Badea and performed by the Metropolitan Opera. Soloists include Nina Rautio, Stefania Toczyska, Michael Sylvester and Juan Pons; 8pm; Feb 18, 19

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Florence Delaage: the pianist performs works by Mozart, Schubert and Chopin; 8.30pm; Feb 15

OPERA
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Prince Igor: by Borodin. Conducted by Valery Gergiev (Feb 16, 17) and Alexander Titov (Feb 18) and performed by the orchestra, choir and ballet of the Kirov Opera; 7.30pm; Feb 16, 17, 18 (3pm)

THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Le Misanthrope: by Molière. Directed by Simon Eine, starring Alain Pralon, François Beaulieu, Dominique Constanza and Yves Gase; 8.30pm; Feb 18, 17 (2.30pm), 20

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall
Tel: 1-415-864-6000
● Boys Choir of Harlem: conducted by Walter Turnbull perform works by Mozart, Roberts and others; 8pm; Feb 15

■ STOCKHOLM

EXHIBITION
Nationalmuseum Tel: 46-8-6664250
● Ideals - Clad or Nude: this exhibition focuses on beauty conventions and attitudes in art from the 16th to the 20th century. The display includes portraits, myhtological scenes, nude studies, genre painting and costumes; from Feb 15 to May 19

■ VALENCIA

CONCERT
Palau de la Música i Congressos
Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Jerzy Maksymiuk and pianist Peter Frankl perform works by Debussy, Mozart and Beethoven; 8.15pm; Feb 16

■ VIENNA

DANCE
Wiener Staatsoper
Tel: 43-1-514442960
● Manon: a choreography by Kenneth MacMillan to music by Massenet, performed by the Staatsopernballet; 7.30pm; Feb 18

■ WASHINGTON

DANCE
Opera House Tel: 1-202-416-4600
● Alvin Ailey American Dance Theater: perform Jamison's Hymn, to music by Ruggieri, and Butler's Carmina Burana, to music by Orff; 8pm; Feb 15

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Herbert Blomstedt and baritone Sanford Sylvan perform Adams' The Wound-Dresser and Bruckner's Symphony No.9; 8pm; Feb 18

WORLD SERVICE

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Financial Times Business Tonight

Edward Mortimer

Time for a larger role

The US is warning that Europe must soon develop some capacity to prevent conflicts, at least within 'its own theatre'

"While President Clinton was on the phone with Athens and Ankara, the Europeans were literally sleeping through the night. You have to wonder why Europe does not seem capable of taking decisive action in its own theatre."

How will Europe survive without the author of those words, Richard Holbrooke, who retires as US assistant secretary of state for European affairs next week? After a round of farewell parties in Washington last month, he had been planning to spend his last three weeks in office solving the Cyprus dispute, which those sleepy Europeans had allowed to drag on for 40 years. Then, after he and Bill Clinton were robbed of their beauty sleep by the Greek-Turkish spat over the Imia islets, he announced he was diverting his attention to the Aegean. Alas for Cyprus.

Since then, however, he has been ordered back to the Balkans to rescue his best-known achievement, the Dayton accord, endangered by the Bosnian government's detention of Serb soldiers on suspicion of war crimes. Alas for the Aegean. By the time you read these words, I dare say "superman" Holbrooke will be shuttling between London and Dublin to salvage the Northern Ireland peace process.

No wonder a man of such talent is widely credited with aspiring to be secretary of state in the second Clinton administration, if there is one. Meanwhile, his words about Europe are worth pondering.

No doubt they will be hailed by Eurosceptics as confirming the futility of the EU's pretension to a common foreign policy. But the truth is the nation states of Europe did no better in the Aegean crisis than the EU itself. Holbrooke's criticism is directed at Jacques Chirac, Helmut Kohl and John Major just as much as, if not more than, Jacques Santer or Hans van den Broek.

European leaders sleep through that sort of crisis because no one wakes them. No Greek or Turkish leader expects that Major or Chirac will have enough clout with his opposite number to impose a face-saving compromise. Europe's leaders no longer feel responsible for such a crisis because they know they lack the power to resolve it. The only "realistic" policy is to leave it to the US.

Eurosceptics are presumably content with, or at least resigned to, that state of affairs. But Holbrooke is not. His words convey an unmistakable impatience. Coming from the man who has done more than anyone else in the last two years to re-focus US attention on Europe and to assert America's commitment to European security, they should be read as a warning. Europe will put too much strain on that commitment, he is saying, if it does not soon develop some capacity of its own to manage crises and prevent conflicts, at least within "its own theatre".

Until last year, European leaders fulminated about the indecision and ineffectiveness of Clinton's foreign policy, not wholly without reason. The administration took a disastrously long time to come up with a definite policy on Bosnia, and it is very difficult for Europeans to have an effective policy when the US is pursuing a different one, or even letting it be thought that it might be. On a smaller scale one can see that in Mostar, where Hans Koschnick, the EU administrator, has for nearly two years been struggling to heal the bitter feud between Croats and Moslems. He is now close to admitting failure, and a US mediator has been appointed, apparently with the support of the Bosnian government. The government appreciates Koschnick's efforts, but believes only the US can get the Croats to accept his proposals, by leaning on their patron, Croatia's president, Franjo Tudjman.

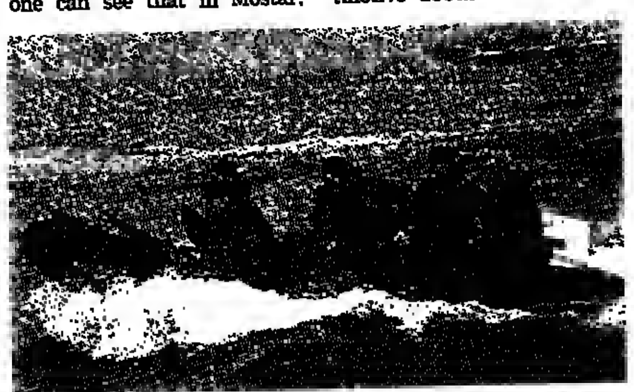
Once it applies itself single-mindedly to a problem, the US generally does get results. Leaving aside Bosnia, where the final outcome remains far from certain, the Clinton record is already quite impressive. It includes ratification of Nafta, completion and ratification of the Uruguay round of world trade negotiations, denuclearisation of Ukraine and (hopefully) of North Korea, and indefinite extension of the non-proliferation treaty. And it has been remarkably effective in many parts of the world in securing opportunities for American business. One may not like all of these results, but they are real.

Why do people take more notice of the US than of Europe? "Because it is a super-power." Yes, but that is not a statement about its material assets, which are not overwhelmingly superior to those of Europe. What is distinctive about the US is its ability and willingness to convert those assets into power, notably in the old-fashioned form of troops and weapons, and to deploy them around the world. If Serbs take notice of the US, it is because they know the US is prepared to bomb them. If Tudjman does, it is because the US helped train and equip his army. The same goes, *mutatis mutandis*, for Greeks, Turks, Arabs, Israelis, even Chinese.

It is hard, and not altogether pleasant, to imagine Europe becoming a super-power in this sense. But even to be an effective regional power – essentially what Holbrooke is asking of them – Europeans need to develop a capacity to act decisively both in a crisis and, even more difficult, in dealing with conditions that may produce a crisis. Sending troops or supplying weapons may not be the instruments of choice. More often it may be a case of giving or withholding financial aid and trade concessions. But all these instruments need to be available to a single decision-making body.

It is fashionable to say that foreign policy is not a matter of institutions, but of political will and national culture. But culture is moulded by institutions, and political will needs institutions to express itself. Europeans will not develop a will to act collectively so long as they know there are no mechanisms enabling them to do so. One needs, first, the will to create such mechanisms. That is what the intergovernmental conference starting next month is supposed to be about.

Europe's failure to prevent, and its indifferent record in managing, the conflicts in former Yugoslavia, gave rise to a great wave of Euro-defeatism, followed by relief when the US finally took matters in hand. What Holbrooke is telling us, in his charmingly tactful way, is that next time he may not be around and we Europeans may have to clear up our own mess.



Euro-spat: Turkish commandos in action during the dispute with Greece over the Imia islets Photograph: Reuter

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Rebuke not so credible

From Mr Manfred W. Resaq.

Sir, An official rebuke (Letters, February 12) of "clichéd views" in a book review on Austrian history might have greater credibility if it did not seek to perpetuate the myth of Austria's victimisation by Nazi Germany. While official Austria refuses to acknowledge the support Hitler's Anschluss enjoyed there, and its sometimes eager participation in Nazism's hideous aims, its *Vergangenheitsbewältigung* (coming to terms with the past) cannot be taken for granted.

In this climate, the lingering popular support for its unrepentant Waldheims, and more recent apologists for their countryman turned German dictator, can hardly come as a surprise.

Manfred W. Resaq,
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24000 Périgueux,
France

Gains tax distorting funds flow

From Mr P.H. Ling.

Sir, Lex ("UK taxation", February 7) dismisses the prospect of reforming or abolishing capital gains tax without exploring the most obvious and positive possible change.

At present the existence of capital gains tax inhibits the realisation of capital profits, thus distorting the rational flow of funds to investment opportunities.

In extreme cases wealthy individuals move abroad in order to realise profits and proprietors of private businesses continue with their ownership well beyond the time when they are driving their businesses to compete and expand. These anomalies would be averted if the UK chancellor allowed full rollover of capital profits into any capital asset. Thus if a capital profit were reinvested in another capital asset within say, three months, the capital gains liability would be carried forward into that new asset. Ultimately the tax would be payable if and when cash was realised and held for more than three months.

This would stimulate private share ownership, the property market and the timely sale of private businesses.

Nigel Lawson is on record as saying that it is his greatest regret as chancellor that he did not introduce such a scheme when he had the opportunity.

P.H. Ling,
The Old Farmhouse,
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Berkshire RG10 8NT,
UK

World Bank Rondonia project in Brazil does not pose a threat to Indian land claims

From Mr Shahid Javed Burki.

Sir, In her letter (January 30), Patricia Feeney, policy adviser to Oxfam, stated that "it is worrying" that the World Bank board of directors decided not to authorise an investigation of the complaint made by the non-governmental organisation Forum of Rondonia to the Bank's inspection panel concerning the Planafloro project in the state of Rondonia of Brazil.

Ms Feeney argued that Bank management has ignored the potential threat to the project represented by the Brazilian government decree 1775, dated January 8 1996, on the appeal of Indian land claims.

Ms Feeney is mistaken. The Bank is carefully studying decree 1775. Our preliminary judgment is that this new regulation should not conflict with the indigenous peoples components of Planafloro.

Nearly all the indigenous areas proposed to be fully regularised under this project have already been registered under official land registries in Brazil, and are not subject to revision under the decree.

The Bank will nevertheless continue to monitor closely the application of the decree in Rondonia. Should problems arise as a consequence of the decree or, for that matter, as a result of any other obstacle that could present itself in such a complex environmental project, the Bank will immediately initiate discussions of solutions with the Brazilian government and the NGOs of Rondonia.

Ms Feeney's second assertion is that local communities were not involved in the preparation of the new action plan for Planafloro. This is also incorrect. In fact, the elements of the action plan, which evolved during the three Bank missions to the project in 1995, were all fully discussed both with the elected federal and state governments and with the NGO forum of Rondonia. The action plan is available to the public, and its implementation will be reviewed by the Bank's board with the help of the inspection panel.

We are fully convinced that the people of Rondonia will be better off with Planafloro than without it. Where we agree with Ms Feeney is that continued close monitoring will be needed to ensure that the right of indigenous people are protected.

S. Javed Burki,
vice-president, Latin America and the Caribbean regional office,
The World Bank,
Washington, DC 20433, US

Cable industry should run a health check

From Mr Richard Woollam.

Sir, I think it was George Pompidou who said "if you want to lose your money, then women are the nicest, gambling is the quickest, but technology is the surest". Reading your editorial "The problem with cable" (February 12) it would appear you agree with him. In the article you very accurately identified the prognosis, but failed to offer a remedy, a cure for the problem.

The cable industry over the past 12 months has had to do some very serious introspective examination of the products it offers and the services it provides. Navel gazing in a nascent industry, that has had a steeper learning curve than Nick Faldo's sand-wedge, is not easy, and it is made even more complex with Machiavellian political machinations, British Telecom's market dominance, the massive cultural differences in purchasing, marketing and TV watching between North America and the UK and last, but definitely not least, BSkyB's *de facto* monopoly.

What the cable industry has to understand is that there is absolutely no point in constructing a state of the art communications network while offering a state of the ark service. It must look hard at its current crop of channels and the way they are packaged, with independent quality audits identifying what the consumer really wants. It must resolve the dilemmas it has with selling and marketing the products, and shore up its customer service by providing a much more robust consumer interface. It must talk and act in unison when in public and political forums and it must avoid at all costs US cultural dominance.

With a proposed investment of £12bn to build the network, my remedy for the problem with cable would be a thorough independent operational health check, surely a small price to pay to put the industry back where it belongs, leading the world.

Richard Woollam,
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Surrey KT11 2QX, UK

NatWest Bancorp missed US opportunity

From Mr Paul S. Bedford.

Sir, I was interested to read that speculation over National Westminster Bank acquiring Standard Chartered Bank had surfaced in light of the pending sale of National Westminster Bancorp Inc's NatWest Bank NA subsidiary to Fleet Financial Group Inc ("StanChart inquiries over bid rumours", February 3/4).

Whatever long-term plans Lord Alexander, chairman, and Derek Wanless, group chief executive, may have for National Westminster Bank, one thing is almost certain; they will not wish to repeat the mistakes made with NatWest Bancorp and its subsidiary any time soon.

As a customer of NetWest Bank NA in New York, I have witnessed over the past four years a bank that has missed opportunities, alienated customers and employees, lavishly spent money on branch refurbishments and introduced a corporate identity which does not fit in with the rest of the NatWest group.

It is clear to me that for reasons best known to themselves, Lord Alexander and Mr Wanless, along with their predecessors, have had a strong aversion to minding the shop stateside. This is born out not only by recent events under NatWest Bancorp's present chairman, John Tugwell, but also under William Knowles, who as chairman from 1982 to 1991, allowed the bank to become excessively involved in real estate and construction lending, which culminated in substantial loan losses in the late 1980s and early 1990s.

In my opinion, NatWest Bancorp could have become a super-regional bank on the lines of Nations Bank or First Union. Unfortunately, Mr Tugwell and his team, including Roger Goldman, never delivered the highly automated, yet customer-friendly NatWest which was to be the cost-conscious model for the UK parent banks.

As Fleet prepares to acquire NatWest Bank NA, it must be said that this closes yet another chapter in the saga of UK banks failing to make it in the US.

Paul S. Bedford,
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When shame tips the scale

Tony Jackson on the challenge of determining the correct competitive rate for a job

Last year was a pretty good one for America's blue-collar workers. Their total compensation – wages and benefits – rose 2.5 per cent, according to government figures released yesterday. Since this was bang in line with inflation, they were no worse off. In earlier years, their real wages have tended to fall.

No such data are yet available for the captains of industry, but one can make an educated guess. In 1994, according to the consultants Towers Perrin, total compensation of US chief executives rose 16 per cent, 13 per cent in real terms. Last year, given surging profits and stock prices, they ara unlikely to have fared worse.

The trend is by now an established one. Business, we are told, is becoming steadily more competitive: and in order to compete, corporations must pay their workere less and their bosses more.

The picture is a curious one. In any given company hierarchy, somebody somewhere is getting the correct competitive rate. Everyone higher np gets paid progressively more, and everyone further down gets progreesively lese. The assumption is that everyone above thet level is an asset to the company, and everyone below is a cost.

In fact, competition does not fully explain the phenomenon. At the lower end of the wage scale, there may be downward pressure from a combination of information technology and global free trade. If you are a clerical worker whose joh can be electronically relocated to Peru, you will pretty soon be facing a Peruvian salary.

The problem is rather at the top end. British executives like to argue their pay should be internatinnally competitive, by which they mean they should get American salaries without the inconvenience of going to live and compete i-n the US. This scarcely applies to American executives, who are at the top of the pay league already.

The point was illustrated in the late 1980s, wben several sectors of US industry, sucb as cars and electronics, were losing ground to the Japanese. In the interests of international competitiveness, the salaries of US executives should logically have moved down towards Japanese levels. In fact, they mostly carried on up.

Another popular explanation for diverging incomes is the Hollywood syndrome. In recent years, Hollywood stars have enjnyed bigger rises in income than the studios whicb employ them. Disparity in pay might therefore seem the product of internal market forces. Truly nutstanding perfnrmere are being given their prnper reward.

> Besides being divisive, the rise in executive pay carries the clear implication that business leaders view public opinion with contempt

But this is not an explanation, merely a restatement of the problem. Star quality was always in shnrt supply. The question is why it now commands a bigger slice of the cake.

A more respectable argument says that changes in technology and markets have tilted the balance of reward from labour towards capital. That is, more of the profits go to the shareholders rather than the workers. It is logical for shareholders to compete for chief executives who can best exploit this.

That is not a complete explanatinn either. Take the Wall Street broking house Salomon Bros. Last year Warren Buffett, the billinnaire investor whn is Salomon's biggest shareholder, tried to curb the enormous salaries paid to its executives by linking them to the performance of the business. After mass protests and defections, he was forced to back down.

All these arguments have a common feature. They are mechanistic; that is, they seek to explain the sums paid to top people by reference to blind external forces. The people themselves are not moral agents, but passive recipients.

But in fact, the people who run companies can to an extent pay themselves what they like. For the shareholders, the chief executive's salary scarcely signifies in the context of the business overall. On occasion, they will fire a highly paid chief executive who is doing a bad job. But the deciding factor is generally the performance, not the pay.

What seems to have changed in the past 20 years is the amount chief executives feel they can pay themselves relative to their employees. Before, they were more likely to be inhibited by social constraints: by the opinion of the community and the fear of seeming greedy.

Tha rise in executive pay is to that extent a moral issue. Besides being socially divisive, it carries the clear implication that business leaders view public opinion with contempt.

In the UK, British Gas this month announced the early retirement of its chief executive. The public cared little for how Cedric Brown did his job. What it objected to strongly was his pay, which had shot up since the company was privatised.

Government ministers had always deflected criticism by saying the issue was purely one for British Gas and its shareholders. As experienced politicians, they must have known this was nonsense. Popular instinct said it was a matter for society as a whole: and popular instinct was right.

FINANCIAL TIMES
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Wednesday February 14 1996

Straws in the Iowa wind

The great farming fields of Iowa are not, perhaps, the most representative electoral pastures in the US. The state has a reputation of being strongly isolationist, with a strong streak of social conservatism and a healthy mistrust of foreigners, big business and Wall Street. It is therefore fertile ground for the economic nationalist, arch-conservative message of Mr Pat Buchanan, the populist Republican presidential hopeful. It should be no surprise that he ran Senator Bob Dole, the party front-runner, a close second in the state caucuses, the first real test of the presidential campaign.

Indeed, if Senator Dole had been able to choose which of his rivals for the Republican candidacy should come second, he might well have opted for Mr Buchanan. For the wisdom on both sides of the US political divide is that such an idiosyncratic right-winger is unelectable as president.

Nevertheless, he is clearly emerging as the candidate of the religious right, and that movement is going to be a force to be reckoned with for all Republicans in the campaign. In Iowa, Mr Buchanan succeeded in mobilising roughly the same 25 per cent of the vote as Mr Pat Robertson in 1988. His anti-abortion rhetoric strikes a real chord.

His problem is that while he can mobilise social conservatives, he cannot really hope to win the other mainstay of the Republican right, the economic liberals. He is a fierce economic nationalist: he does not believe in liberal free trade. He would abrogate the North American Free Trade Agreement, and wants government intervention and investment to protect manufacturing jobs.

Senator Dole's 26 per cent of the poll – well below the 38 per cent he scored in Iowa in 1988 – will have done little to dispel the impression of a lame front-runner. However, he did manage to see off at least two rivals – definitely Senator Phil Gramm, the Texan conservative who stumbled last week in Louisiana, and flopped to fifth place in Iowa; and probably Mr Steve Forbes, millionaire publisher and flat taxer, whose ample cash and TV hype failed to get him beyond fourth place.

The biggest threat to Mr Dole may well now come not from Mr Buchanan but from the plausible and personable Mr Lamar Alexander, former governor of Tennessee, who came a respectable third in the race. He represents mainstream Republicans in the George Bush tradition, but he has managed to disguise that apparent electoral disadvantage by stressing his distance from Washington insiders. Indeed, on that score he is positively radical: he stands for a drastic return of power from the federal government to the states.

All of which leaves the leaden Mr Dole struggling to impose any authority on his party. President Bill Clinton, still unopposed for his Democratic nomination, is now in the unlikely position of favourite to keep his job, even when the country is clearly in conservative mood.

Too many chips

Is the world heading for an indigestible surfeit of semiconductors? A set of industry figures yesterday, together with the recent surge in plans for new capacity, might suggest that is the case. US demand for semiconductors fell precipitously last month, industry figures revealed. However, fears that the industry is heading back to its past extreme cyclicality are premature.

In the short term, at least, there is little risk of a glut. The ratio of US orders to shipments, which was at its lowest level for years in January, largely represents an inventory overhang. The pressures on the PC industry, notably Apple Computer, prompted manufacturers to squeeze inventory levels sharply. However, the overhang is likely to have shrunk by the spring.

The underlying trend is that demand is growing strongly, driven particularly by the personal computer market and the launch of advanced software such as Windows 95, which need large amounts of memory. Although memory prices have fallen in the past few months, shortages of memory chips plagued many computer users last year.

Concern about overcapacity is better focused on next year and beyond, given the expansionary plans of Japanese, Taiwanese, Korean and US chip companies. In the past year or so, manufacturers worldwide have announced plans to build some 50 new plants. For example, Taiwan Semiconductor Manufacturing, a leading contract manufacturer of chips, started work in November on a new plant, part of an expansion programme that is expected to boost its capacity by 30 per cent a year. Production from these new plants will begin to make themselves felt next year.

Nor does that tally include an important Japanese investment announced yesterday. Ten Japanese semiconductor makers announced Advanced Semiconductor Technologies, a new joint venture, which will conduct a 10-year, Y35bn research project into advanced chip technologies.

That wave of capacity was prompted by the steadiness and strength of growth in demand, which has persisted against many expectation during the past five years. In the rest of this decade, demand growth may well be outstripped by the increase in capacity, and many industry analysts expect chip prices to fall.

This prospect does not mean that the industry must resign itself to the sharp cyclical swings which have characterised its past. The proliferation of applications will have helped protect it from that painful phenomenon for many years. However, chip manufacturers announcing new investments with such gusto should recognise that leaner times are not far away.

Reform steps

The cogs of the German consensus-building machine are turning faster these days, though still more slowly than the economy needs. Trade union leaders summoned their members to the streets on Monday to oppose government proposals to limit the costs of early retirement. Yet, by later that day, the same leaders had struck a deal with the government and employers that will ease one of the fastest-growing pressures on the state pension system.

For many, the deal – which took only three hours to hammer out – is proof that the social partners are still up to the job of correcting the country's looming structural problems. Yet, welcome though it is, the deal shows the weaknesses of the bargaining process as well as the strengths.

The first, and most obvious, problem, is that it took a sense of crisis to trigger reform. The pension system's generous terms for early retirees – first introduced in 1984 – have long been in need of reform. Companies have used the scheme as a cheap way to shed labour, putting huge strains on an overburdened pensions system.

Every 100,000 people taking early retirement cost state pension funds DM12.7bn and unemployment insurance DM9.2bn, putting upward pressure on contributions. The companies themselves pay DM1.8bn. Earlier this month, Mr Norbert Blüm, the labour minister, warned that the pension system would have to "save, save, save" to spare employers and employees a sharp rise in contributions next year.

Yet Monday's bad news on unemployment did far more to strengthen the government's hand in the negotiations than Mr Blüm's gloomy arithmetic. With the January jobless total at another postwar high, 4.16m, the government could not be seen to be standing in the way of implementing the 50-point economic action plan unveiled last month.

The deal is over-modest as well as overdue. As things stand, mounting pension costs next year – as the country prepares for European monetary union – are going to mean steep increases in social contributions for German workers. Cutting the costs of early retirement was initially billed by the government as a way to lessen pension-related increases in non-wage labour costs. Indeed, a major theme of the economic action plan was to reduce such costs so as to boost international competitiveness and employment.

Yet as Mr Blüm himself admitted yesterday, the gradual phasing in of the reforms agreed on Monday means that any savings to the pension system will only be felt from 1998 onwards. The biggest pension reform challenges have yet to be solved. This week's events show once again Chancellor Helmut Kohl's penchant for policy through consensus – but he has larger, more urgent tasks ahead.

India's juggernaut of change

Political scandals add uncertainty to April's elections but are providing impetus for reform, say Mark Nicholson and Peter Montagnon

On a salary of just Rs5,000 (£88) a month, Mr Salman Kurshid, India's minister of state for external affairs and a member of parliament for Uttar Pradesh, finds it difficult to afford some of the demands of his constituents and party workers.

One worker recently asked him for a colour television for his daughter's wedding, costing the equivalent of two months' ministerial salary. The assumption was that if the minister himself could not afford it, he would have the contacts to conjure up the gift from somewhere else.

That, says Mr Kurshid, is the feudal style of traditional Indian politics. It is also "totally unacceptable" in the type of modern industrial economy which India is seeking to become after four years of reform.

The latest Indian political scandal, which erupted in January and involves accusations of illegal payments to numerous politicians, illustrates the upheaval caused by this painful transition to modernity. It has added a note of uncertainty to the country's politics ahead of an election in April.

But younger and more open politicians such as Mr Kurshid believe that the scandal may also provide an impetus for further modernisation of a system based as much on patronage as on democracy.

Since the scandal broke last month, 10 leading politicians, including three ministers and the leader of the largest opposition party, have been charged with taking bribes. Dozens more politicians are being investigated, including several ministers, after their names were found in diaries belonging to the Jains, a Madhya Pradesh family under investigation for alleged illegal foreign exchange dealing.

The incriminating notebooks were first discovered in 1991, but the investigation was low-key until two journalists took the matter to the Supreme Court, which insisted last year that inquiries should lead to prosecutions.

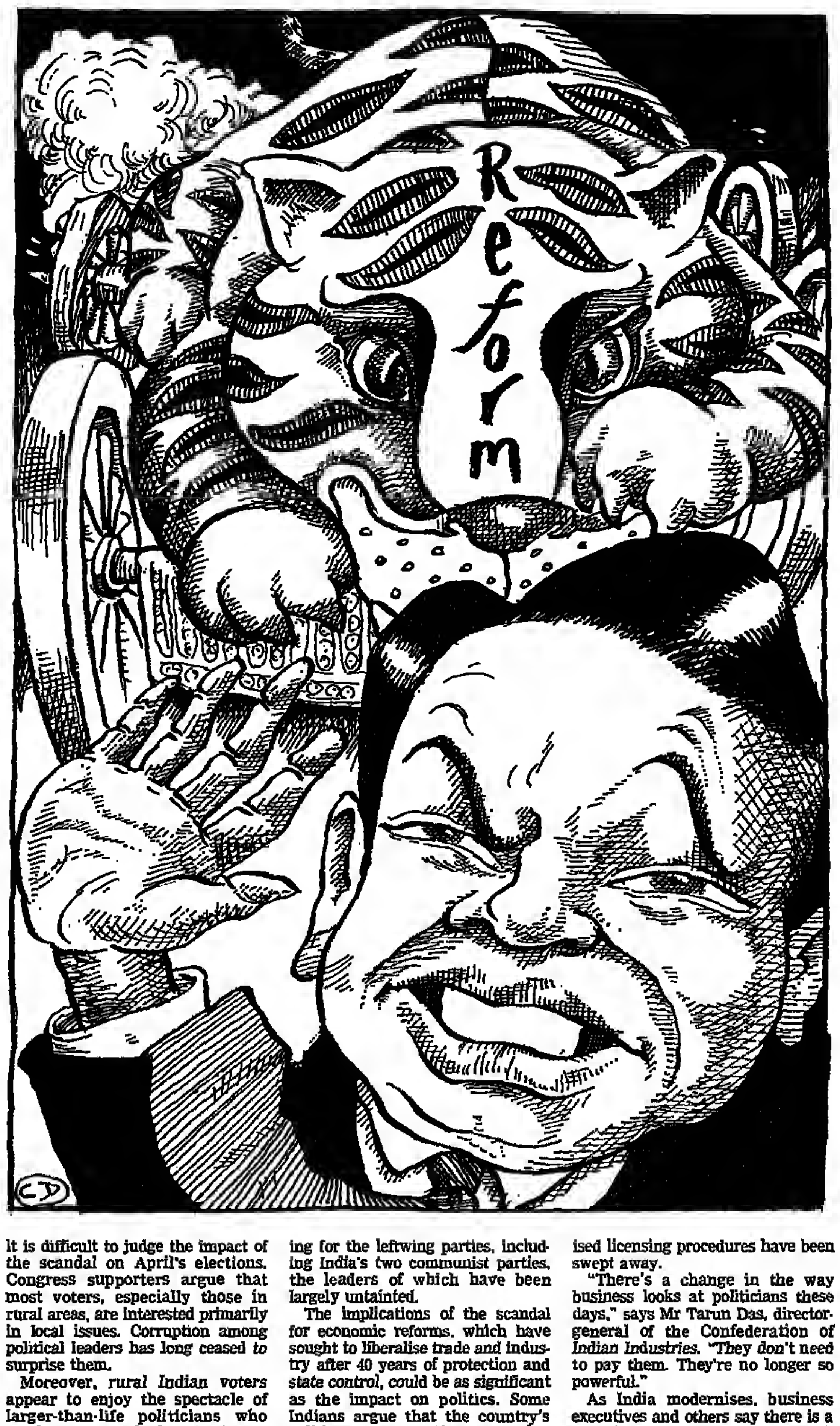
The timing of the charges – three months before a general election – were widely seen as a ploy by Mr P.V. Narasimha Rao, the prime minister whose ruling Congress party has been dogged by opposition accusations of corruption. He was seen as using the scandal as an opportunity to spread allegations across the political spectrum in an effort to defuse corruption as a decisive election issue.

But Mr Rao has opened up a Pandora's box, creating a scandal of unprecedented proportions. Among other developments, opposition parties allege there is evidence implicating Mr Rao himself in the scandal – although his officials have denied any involvement.

Unlike the Bofors weapons procurement scandal of the late 1980s, the Jain scandal has already resulted in criminal charges against politicians. For the first time, supervision of a corruption investigation by the Central Bureau of Investigation has been wrested from the politicians by an increasingly activist Supreme Court.

The extensive media coverage, the Supreme Court's determination to ensure that the inquiry is completed without hindrance, and the suggestions of Mr Rao's involvement have all lent the affair a momentum which many believe will extend beyond the elections.

"Something has started which cannot be stopped," says Mr Prem Shankar Jha, a newspaper columnist. "The political class is in a panic."



In India's volatile political climate it is difficult to judge the impact of the scandal on April's elections. Congress supporters argue that most voters, especially those in rural areas, are interested primarily in local issues. Corruption among political leaders has long ceased to surprise them.

Moreover, rural Indian voters appear to enjoy the spectacle of larger-than-life politicians who exude power and plenty: witness the phenomenon of filmstar politicians such as the late N.T. Rama Rao, former chief minister of Andhra Pradesh, who commanded fanatical popular support from voters even while pursuing policies that undermined the financial stability of his state.

But voters are unlikely to ignore the scandal altogether. The involvement of other parties will not necessarily free Congress from its reputation for corruption. The allegations against Mr L.K. Advani, leader of the main opposition Hindu nationalist Bharatiya Janata Party, look weak. And support has been growing for the leftwing parties, including India's two communist parties, the leaders of which have been largely untainted.

The implications of the scandal for economic reforms, which have sought to liberalise trade and industry after 40 years of protection and state control, could be as significant as the impact on politics. Some Indians argue that the country's politicians are so discredited that they no longer have the moral authority to deliver the good government and politically sensitive economic reforms on which the country's future prosperity depends.

But others, such as Mr Kurshid, believe tha scandal may represent a milestone on India's road to modernity. Economic reforms, including privatisation and deregulation of industry, have reduced the role of government in the economy.

And national politicians no longer matter so much with power in India devolving to the states and away from central government as centralised licensing procedures have been swept away.

"There's a change in the way business looks at politicians these days," says Mr Tarun Das, director-general of the Confederation of Indian Industries. "They don't need to pay them. They're no longer so powerful."

As India modernises, business executives and others say there is a need for a class of politicians dedicated to economic management rather than old-fashioned patronage. "We have good managers both in politics and in the corporate sector, and in administration," says Mr Kurshid. "But they are working with tools that are not adequate. We need to focus also on a system of governance which is compatible with economic restructuring."

Since the scandal broke the confederation and other business groups have intensified lobbying for increases in the salaries of ministers and MPs to attract better quality people into politics. They also advocate direct state funding of political parties, along with a review of the 26-year-old ban on corporate donations to political parties. India's political parties at present survive largely on undeclared backhanders from powerful business leaders to individual politicians.

Mr Jairam Ramesh, a former state planner turned business journalist, says state funding of political parties would cost only about Rs10bn a year, tiny in comparison with total budget outlays exceeding Rs1,600bn.

He believes such a system will probably be introduced by whoever comes out ahead in the next election. But there is scepticism about how fast it will come, and about whether more transparent political funding would eliminate corruption.

One advantage of state funding, adds Mr Shankar Jha, is that it would allow party leaders to control more directly which candidates run for office. The present system of patronage places too much power in the hands of individual politicians able to procure the greatest resources, whatever their formal position in the party hierarchy.

Such changes could help transform standards in Indian politics, Mr Kurshid believes. But there must also be changes in the expectations of voters, who expect favours in return for their support and, because they rarely pay taxes, have no incentive to fight against the cost of inefficiency created by corruption. The attitudes of politicians and bureaucrats, some of whom see their jobs as a source of wealth that could not possibly be provided by their salaries, also need to change.

"The problem will go away only with a change in social behaviour. It will not happen overnight," says Mr Kurshid. "But you would get a working system and some incentive for decent people to come in and remain decent and honest."

Whether Mr Rao has any such political evolution in mind is questionable. The prime minister appears as ambivalent towards political reform as he has been towards the economy. He has never argued from an ideological standpoint for the economic reforms, which were hatched as a result of the balance of payments crisis in 1991. It is thus unclear how vigorously he would pursue constitutional reform if re-elected in April.

However, some analysts believe that pursuing reform may be popular among India's more affluent urban voters, who hold the swing vote in Indian polls. This is also arguably the class most interested in economic reform, which could be helped by a restructuring of the political system.

With a government less dependent on patronage, for instance, it would prove easier to liberalise activities such as land sales and the sugar and fertiliser industries. These are still controlled, and thus still lucrative sources of revenue for politicians, says Mr Ramesh.

Other economists say political reform would also make it easier to cut India's yawning budget deficit, set to exceed 6 per cent of gross domestic product this year. Tax claims could ba enforced against wealthy individuals and businesses which have routinely paid bribes to evade them in the past.

Other countries such as Japan and Korea are cleaning up the relationship between their politicians and business. The scandal may help India make its break with the corruption of the past.

"Somebody's got to begin the change. This will give us the impetus," says Mr Kurshid.

· OBSERVER ·

Training for holes

■ If Eurotunnel was aiming at balance when it chose the two mediators for the Herculean task of trying to settle with its creditor banks, it has certainly succeeded with Lord Wakeham and Robert Badinter.

Apart from the obvious contrast in nationality, tha pair are politically of opposing hue – Wakeham being a former Tory minister while Badinter is a former socialist minister. He was a close friend of the late president François Mitterrand. While Badinter has absolutely no business experience, the 67-year-old French constitutional lawyer has one thing going for him – namely experience in conciliation.

Wakeham slipped quickly – too quickly, some said – from politics into business. But Badinter has been heading the Conciliation and Arbitration Court of the Organisation for Security and Co-operation in Europe. Basically, that involves trying to sort out the ethnic and political squabbles of eastern Europe – after which Eurotunnel is presumably a picnic.

Felix's exit

■ So Felix Rohatyn, the Democrats' favourite banker, has bowed out of the running for the number two job at the US Federal Reserve. He was no doubt right to suggest that his confirmation hearings before the Senate would have been "protracted and extraordinarily divisive". But he is certainly not going quietly.

Rohatyn's view is that Washington is in the grip of an ideological war that threatens to "overwhelm any possibility of rational dialogue". His retreat has at least allowed the veteran managing director of Lazard Frères to remove his self-imposed gag, which is no bad thing. There are not many US bankers worth listening to. Rohatyn is tha exception.

Highly charged

■ Any British Tory MP who gets as far as something called the "second beef premium" in the EU's annual price package for agricultural products announced today is in for a shock. It has long been a favourite, er, beef of the Tories that the EU diverts taxpayers' money not towards producers of the Sunday joint but in the direction of fodder for the bull ring.

Now the Commission has decided to scrap this "second beef premium", which had been paid to farmers when bulls are 22 months old, and to pay farmers more at the 10-month stage. This will supposedly remove the incentive for farmers to keep their bulls beyond the normal slaughter age of 15 months. As bullfighting aficionados know, it is bulls upwards of four years old that are put in the ring.

Whisper it not that the Commission's action has more to do with reducing beef production than with pleasing the Tories.

LBW for AFP

■ The French press agency AFP yesterday produced a helpful glossary of cricketing jargon as a prelude to the World Cup, which starts today.

W.G. Grace, the item explains, "knew all about lbws, chinamen, googlies and the finest of legs," but even he would struggle with some of the more recent terminology. Hence, AFP goes on to explain such arcane modern terms as 'pinch-hitter', and 'reverse swing'.

Explaining these terms in English is a big enough task on its own. But translating them for AFP's French-speaking customers would be the *ultime défi*. AFP did not even bother to try.

Spanish practices

■ British officials escorting Ms Wu Yi, China's visiting trade minister, were all of a flutter on Monday night.

A grand dinner at Lancaster House looked like turning into a disaster after a security alert delayed the start. The guests did not sit down to dinner until 8.30pm, which is very late by Chinese standards.

Nervy Foreign Office flunkies worried that the incident might mar China's improving relationship with Britain, considered vital if the handover of Hong Kong is to go smoothly next year. Ian Lang, Britain's trade and industry secretary, was pressed to put on a good show of apologising profusely. However, it turned out not to matter. With great aplomb Ms Wu assured him that if this was Spain they would still have a long time to wait for dinner.

Pile 'em high

■ One has to admire Graham Kirkham, founder of DFS, a UK furniture chain. His company has just been had up by the Advertising Standards Authority for an over-enthusiastic mail shot inviting DFS customers to a reception marking DFS's 25th birthday. "We've chosen just 500 people from your area to join us. ... It's a once in a lifetime offer only available to you as a specially invited guest," cooed the DFS invite.

Unfortunately for DFS, one of those invited worked in the sorting office of the local sub Post-Office and objected that the mailing was misleading because they had handled over 1,800 mailings in their village alone.

The Financial Times

100 years ago

Meeting of the Reichstag
The discussion of the Estimates for the Ministry of Foreign Affairs in the Reichstag gave occasion for a debate on the foreign affairs of the Empire. Dr. Hammacher, on behalf of the National Liberals, expressed satisfaction with the recent announcement of Baron Marschall von Bieberstein that no Bill for increasing the navy would be laid before the Reichstag in the present session. When the Bill came to be presented, his party would examine it with the requisite patriotism and sober reflection.

50 years ago

Cheap money policy in U.S.
A continued low interest rate policy both on commercial and Government operations is advocated by the Secretary to the Treasury, Mr Vinson. His position was disclosed when his recent testimony before the House Appropriations Committee sub-committee on the Treasury Department Bill was made public. "I believe," he said, "in the wisdom of a low interest rate policy because of the widespread benefits throughout the economy. Low interest rates greatly benefit the taxpayer by making possible a lower rate of taxation to cover expenditures than would otherwise be possible."

FINANCIAL TIMES
Wednesday February 14 1996

Bundesbank chief's view at odds with Brussels

Tietmeyer favours Emu delay over instability

By Andrew Fisher in Frankfurt and Peter Norman in Bonn

Mr Hans Tietmeyer, head of the Bundesbank, yesterday said it might be better to delay European monetary union than to start in 1999 without member countries reaching an adequate level of economic stability.

His statement, one of the clearest examples of German central bank insistence that stability should take priority in Emu, came as European politicians stressed the need to stick to the planned starting date. They argued that delay could endanger the project and bring new risks.

"Monetary union, once started, must not go off the rails," Mr Tietmeyer said. "If necessary, a delay in timing would be less problematic than a later derailment."

He was speaking at a Frankfurt conference attended by Mr Yves-Thibault de Silguy, European Commissioner for monetary affairs, who warned that putting off Emu would mean new negotiations. This would carry the danger of upsetting the political balance achieved in the four years of talks up to the signing of the Maastricht treaty in 1991.

"This balance must be strengthened not shaken," Mr de Silguy said. "It would be a serious mistake to seek a new balance." Not only was there no consensus over how the economic convergence criteria for Emu might be changed, he said, but renegotiation would also clash with the EU intergovernmental conference starting in March, and talks on expanding the EU in 1998.

In Bonn, Mr Günter Rexrodt, Germany's economics minister, called for an end to the debate over a delay to Emu. He said there were realistic chances that enough countries would qualify for Emu in time for a 1999 start.

A delay could trigger new protectionist tendencies in Europe, he claimed, but agreed Emu should not be achieved at any price. "The timetable is important but it is more important that the economic criteria are fulfilled."

Mr de Silguy's and Mr Rexrodt's comments were aimed at countering scepticism over Emu, especially in Germany where polls reflect concern about giving up the D-Mark.

Mr Hans-Olaf Henkel, president of the German industry federation (BDI) said if the heads of all its 80,000 member companies were asked what they thought of Emu, "the majority would probably still be very sceptical".

He said they would be more so than German political and business leaders – including the heads of 150 companies employing over 1,000 people – surveyed for the Capital business magazine, he said. Support for Emu among this group has grown to 77 per cent, against 61 per cent last June.

However, despite their approval of Emu respondents were also aware of the disadvantages with 61 per cent expecting the euro to be less stable than the D-Mark, and inflation to rise. But more than 70 per cent said the single currency would have a strong position in world capital markets and help Europe compete with the US and Japan.

Mr Henkel said Emu's starting date was less important than ensuring its stability with the right membership.

EU sceptics soften their stance Page 9

Singapore bars five companies linked to bribe case

By Tim Burt and Peter Montagnon in London and John Simkins in Milan

Five international manufacturing and contracting companies, including Britain's BICC and Siemens of Germany, were yesterday banned from seeking state power contracts in Singapore after being implicated in a bribery scandal.

The action follows the conviction of an official in Singapore's Public Utilities Board (PUB), jailed last November for accepting bribes from a former employee who had been acting as a consultant for BICC, Siemens, Pirelli of Italy, and two Japanese trading houses – Tomen Corporation and Marubeni Corporation.

Both Pirelli and BICC said the decision to bar them was based on a misunderstanding. BICC plans to appeal against the ban.

Mr Choy Hon Tim, a deputy chief executive of the PUB, is serving 14 years after being convicted of passing confidential information about PUB tenders since the mid-1980s to Mr Lee Peng Siong, his former colleague. The PUB, responsible for gas, electricity and water in Singapore, has been restructured ahead of privatisation.

Singapore has sought to justify its limited democracy and authoritarian approach to government on the grounds that its administration was competent and clean. It is therefore remorseless in punishing corruption.

Officials said yesterday there was no connection with Tuesday's decision to defer indefinitely the privatisation of Singapore Power, a large part of the PUB before restructuring. They reiterated that the reason for the deferral was that the returns were too low.

BICC said it expected all five companies would try to overturn the ban, which covers all new power contracts for five years. Pirelli said it had been informed of the debarment. "We believe that this action, the reason for which has not yet been notified to us, is based on a misunderstanding of the facts. Our company has not been involved in the court proceedings."

It was unclear what would happen to the two-stage Tuas power station under construction by Marubeni and due for completion between by 2001. But BICC Supertension Cables 1980, the UK group's Singapore subsidiary, will continue work on a $36m ($55.4m) cable contract it won last year.

The PUB has ordered cables worth about £300m from BICC in the past 10 years. The ban came as BICC announced plans to expand its operations in Asia with a £21m investment in new factories in Indonesia and the Philippines. Both plants are expected to start operating in 1997.

Drop in US chip orders

Continued from Page 1

was, nonetheless, 16.3 per cent higher than the $3.58bn recorded for January 1995. Shipments for January set another record at $4.47bn, up slightly from $4.46bn in December, and up 39.5 per cent from $3.20bn in January 1995.

The drop in the book-to-bill ratio for January was a surprise, the SIA acknowledged. "But we remain confident about the long-term outlook for the global semiconductor industry," said Mr Thomas Armstrong, SIA president.

After dropping sharply in after hours trading on Monday night, semiconductor stocks steadied in response to the news.

Dole victory

Continued from Page 1

than Iowa to his proposal for a flat-rate tax. He then hopes to finish second in Delaware and first in Arizona on February 24 and 27 respectively. But Mr Buchanan dismissed the publisher as a flash in the pan. "I just do not believe the soufflé will rise a second time," he said.

The primary campaign will now shift into top gear, with Tuesday's New Hampshire primary the next in a series of 30 state tests which will choose 68 per cent of the delegates to party nominating conventions by the end of March.

Leeson says he was told to establish secret error account

By Nicholas Denton in London

Mr Nick Leeson created his hidden 88888 trading account on the instruction of a controller at Barings' headquarters in London, according to the book by the jailed futures trader about the UK merchant bank's collapse.

Barings executives have claimed they had no knowledge of the 88888 account, the vehicle for Mr Leeson's unauthorised trading and the hiding place for the £830m ($1.2bn) in losses he incurred.

But Mr Gordon Bowser, former derivatives controller at Barings, told Mr Leeson in 1992 to set up an account into which to put trading "errors", Mr Leeson writes in *Rogue Trader*, published this week.

There is no suggestion that Mr Bowser, or other Barings executives, knew the use to which Mr Leeson put the secret account. The official inquiries into the collapse have failed to establish that Mr Leeson acted with the knowledge of his superiors.

"It was several years ago," Mr Bowser said yesterday in response to Mr Leeson's claims. He said Mr Leeson's recollection might be faulty. Mr Bowser, who is still employed by Barings as a risk controller based in Hong Kong, had no further comment.

But Mr Leeson's disclosure that he was told to establish the hidden account reinforces the central conclusion of the Bank of England report into the banks' collapse; that Barings failed to stop Mr Leeson because of an "absolute failure of controls".

When Barings began trading in mid-1992 on the floor of Simex, the Singapore futures exchange, it was soon swamped by the volume of orders, and buying and selling mistakes were made in the confusion and noise of the trading pits.

Mr Bowser allegedly said the frequency of trading errors might arouse the attention of Barings' auditors and told Mr Leeson not to send back to London reports on the new "error account".

"We don't want to be bothered with all these tiny errors you're clocking up," Mr Bowser said, according to Mr Leeson in his book. "The auditors will start to ask questions." By the time Mr Bowser changed his mind a few months later and told Mr Leeson to report his errors to London, the trader had already begun using the 88888 account to hide losses and unauthorised trading.

By the end of 1992, Mr Leeson had built up a loss of £2m in the 88888 account. The deficit grew to £23m by the end of 1993, £208m by the end of 1994 and £827m on February 27 last year, as Barings went into administration.

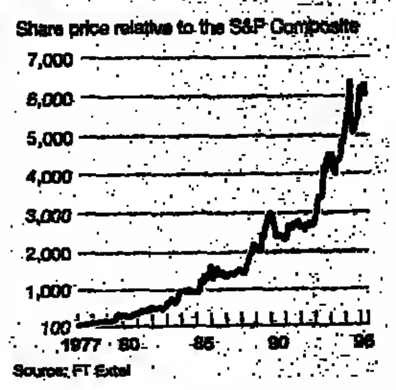
THE LEX COLUMN

Buffett does the splits

FT-SE Eurotrack 200: 1663.8 (+8.2)

Berkshire Hathaway

Share price relative to the S&P Composite



Source: FT Extel

Berkshire Hathaway's decision to split some of its shares by a factor of 30 is a long-overdue bit of consideration for those shareholders not *quite as rich as* Mr Warren Buffett, its chairman.

Mr Buffett, who owns 40 per cent of the $37bn company, has been resisting a split for years, even though the share price is nearly $32,000 – putting even NTT's $8,000 shares to shame. Mr Buffett has argued that a high price limits Berkshire's shareholders to those knowledgeable enough – and, presumably, wealthy enough – to cope if he ever lost his touch. But in practice, this neglects tha position of the medium-sized investor. The cardinal rule of investment is not to put all your eggs into one basket. And at $32,000 an egg, most private investors will have little left over once they have bought a few Berkshire shares. The new B shares, which should trade at just over $1,000 each, look much more manageable.

Mr Buffett's U-turn will have a further welcome effect. Several US fund managers plan to launch unit trusts offering in effect fractions of Berkshire shares. Mr Buffett is understandably worried that commission-driven brokers could sell these units to naïve investors with unrealistic expectations, who might end up disappointed. The B share issue is meant to forestall that and Mr Buffett calculates *it is* worth the extra cost to Berkshire to preserve its good name. And he has the last laugh; the new B shares carry a vastly reduced voting power.

Airbus

The dogfight between Airbus and Boeing is reaching new levels as each presses ahead with plans to develop a "super-jumbo" capable of carrying more than 500 people. Unfortunately for the European consortium, Boeing has a big advantage; stretching its existing jumbo would cost only $2bn-$3½bn. Airbus, by contrast, would have to spend $8bn-$9bn developing a completely new model, dubbed the A3xx. Fears that British Aerospace (BAe), a 20 per cent shareholder in Airbus, will pour vast sums into a white elephant are already hitting its share price.

The snag is that Airbus has little option. *Boeing's position* as the world's only supplier of 400-seat jets already gives it monopoly profits from which to subsidise sales in ths cut-throat 300-seat market. With air passenger numbers *forecast to trebls* over the next 20 years, airlines will want even bigger jets. If Airbus does not compete, *Boeing will have even* more of a monopoly.

But how can Airbus get $8bn-$9bn? Such sums are beyond the resources of its existing shareholders. The two biggest, France's Aérospatiala and Germany's Daimler-Benz Aerospace (Dasa), are losing money. Their parents, the French state and Daimler-Benz, will be relnctant to pour in more capital unless they can see *an end to* the red ink. And while BAe is profitable, it will not wisb to invest in the A3xx unless it stacks np financially.

Subsidised loans may be part of the answer. The French, German and British governments will be the first ports of call, but the net will have to be spread wider. Airbus's current scheme is to tap Asian countries, many of which aspire to build up their aerospace industries. In exchange for cheap loans, Airbus would cut them into the project.

Even cheap capital, though, will not be enough. Airbus's operating costs will also need to be cut. And that means changing its consortium structure, under which manufacturing work is divided among the partners according to the size of their shareholdings. A rational corporate structure is *needed*, with a *management* free to run the business commercially.

Sadly, turning Airbus into an ordinary company will not be sasy. Distributing squity according to its *current shareholding structure will* not work as BAe will rightly demand that its profitabls factories are valued more highly than Aérospatials's and Dasa's lossmaking ones. But *distributing equity according to profit*ability will not get far either, as the French and Germans would end up with *nothing* and that would be seen as an affront to national pride. Of course, if they had spare cash, they could buy back their stakes, but they do not.

Deciding which manufacturing assets to include in a reconstructed Airbus will also be controversial. Aérospatiale's cockpit operation and BAe's wing factory will probably be in demand. But it would make sense to contract out rather than own the *other*, lower value-added activities. That would mean excluding Dasa's fuselage manufacturing, which would not go down well in Germany.

All this *means* that, vital though it is to restructure Airbus, negotiations will be tortuous and protracted.

Reuters

Reuters certainly suffers from an *embarras de richesses*. Net cash at end-1995 was £850m and is growing at about £300m a year. Ths question is what to do with it. Reuters sees three *options*: splash out on a big acquisition, let the cash accumulate or return surplus funds to shareholders. Viewed that way, it is not surprising the group prefers the last of the three. *One can equally understand Reuters'* frustration with a UK tax system that makes share buy-backs and mega-dividends unattractiva from a taxation perspective.

But *are* these *really* the only options? What about investing more in organic growth? According to Reuters, it is pushing internal expansion as fast as it can. So far this decade, it has spent £700m (*$1.1bn*) on research and development, while there has been a further £1.4bn of capital expenditure.

These figures look impressive by comparison with most UK media companies. But that is surely not the relevant yardstick. As the world's leading provider of electronic information and transaction products, it would be more relevant to compare Reuters with high-tech US groups like America Online or Microsoft. Unfortunately, *unlike these, Reuters does* not *generate much* excitement or buzz. While it is trying to apply its successful electronic formula to a broader range of business and professional markets, it *is moving* gingerly. Such a "safety first" approach will certainly not wasts investors' funds. But it will probably result in lost opportunities.

Additional Lex comment on BP
Page 20

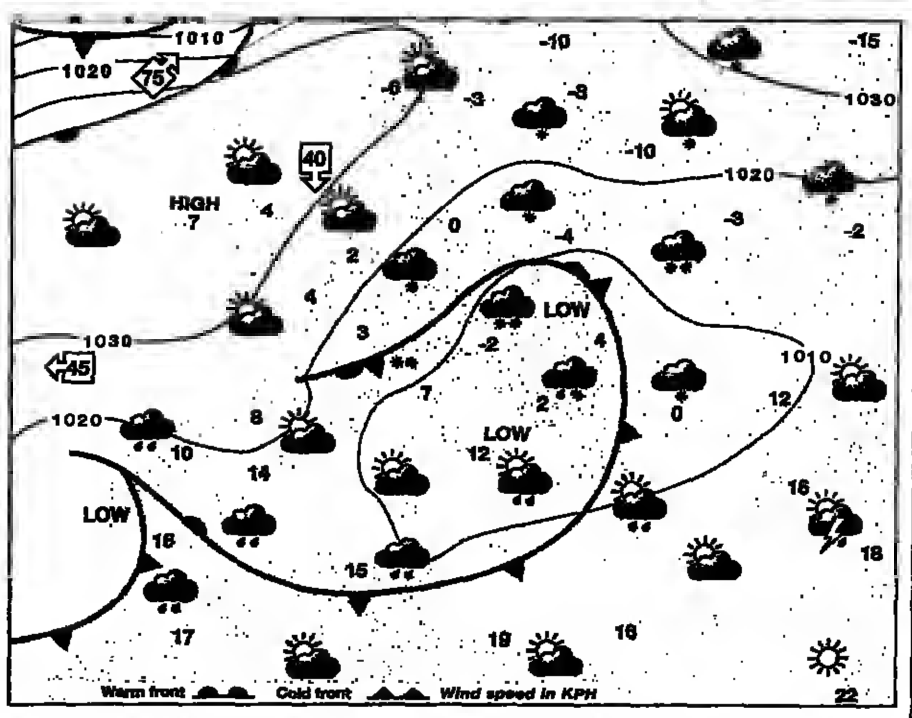
FT WEATHER GUIDE

Europe today

Central Europe will be dominated by a complex depression over Italy and the Balkans. Widespread snow is expected in the Alps and *north of the Alps. Balkan countries will have rain* mixed with sleet but snow will accumulate in the mountains. Showers will affect western Greece but Crete will remain dry with sunny intervals. Unstable air will cause several *showers over Cyprus and southern* Turkey, some with thunder. Cloud will persist over the Ukraine, *producing widespread light snow*. Southern Spain and Portugal will be wet but the north will stay dry. Western France will become *clearer but the Benelux will remain dull. The* British Isles will have sunny intervals after a frosty night.

Five-day forecast

Showers will be frequent over the eastern Mediterranean but the Iberian peninsula will become more settled. Milder air will move into the Benelux, France and Germany, producing snow which will turn to rain. During the weekend, low pressure will bring widespread snow to central and eastern Europe. Northern regions of the British Isles will be cloudy and wet on *Thursday but the south will be fair. It will* become more unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	11	Caracas	fair	30	Faro	rain	15	Madrid	cloudy	11	Rangoon	sun	34
	Celsius		Belfast	sun	5	Cardiff	fair	8	Frankfurt	sleet	2	Majorca	cloudy	13	Reykjavik	rain	7
Abu Dhabi	fair	25	Belgrade	rain	3	Casablanca	shower	17	Geneva	shower	3	Malta	shower	17	Rio	fair	30
Accra	cloudy	31	Berlin	snow	-1	Chicago	cloudy	2	Gibraltar	rain	15	Manchester	fair	5	Rome	shower	12
Algiers	shower	19	Bermuda	shower	18	Cologne	snow	0	Glasgow	fair	4	Manila	fair	32	S. Frsco	sun	22
Amsterdam	cloudy	2	Bogota	fair	19	Dakar	sun	23	Hamburg	cloudy	0	Melbourne	fair	24	Seoul	fair	12
Athens	cloudy	13	Bombay	sun	32	Dallas	fair	25	Helsinki	cloudy	-10	Mexico City	fair	21	Singapore	shower	29
Atlanta	cloudy	18	Brussels	cloudy	3	Delhi	sun	23	Hong Kong	cloudy	24	Miami	sun	24	Stockholm	cloudy	-7
B. Aires	sun	28	Budapest	snow	-1	Dubai	fair	25	Honolulu	fair	26	Milan	fair	8	Strasbourg	rain	2
B.ham	fair	4	C.hagen	cloudy	-1	Dublin	sun	6	Istanbul	shower	7	Montreal	cloudy	-10	Sydney	shower	19
Bangkok	sun	35	Cairo	sun	21	Dubrovnik	rain	10	Jakarta	shower	29	Moscow	fair	-10	Tangier	rain	15
Barcelona	fair	12	Cape Town	fair	21	Edinburgh	fair	4	Jersey	cloudy	9	Munich	snow	0	Tel Aviv	fair	19
									Karachi	sun	28	Nairobi	fair	26	Tokyo	fair	17
									Kuwait	sun	24	Naples	shower	12	Toronto	cloudy	-5
									L. Angeles	fair	23	Nassau	fair	24	Vancouver	fair	12
									Las Palmas	fair	21	New York	snow	1	Venice	cloudy	8
									Lima	cloudy	26	Nice	fair	12	Vienna	snow	-1
									Lisbon	shower	15	Nicosia	thund	14	Warsaw	snow	-6
									London	cloudy	5	Oslo	fair	-2	Washington	rain	4
									Lux.bourg	snow	0	Paris	cloudy	4	Wellington	fair	22
									Lyon	shower	3	Perth	sun	39	Winnipeg	fair	-8
									Madeira	shower	17	Prague	snow	-3	Zurich	snow	0

German cartel office loses gas test case

By Judy Dempsey in Berlin

Germany's plans to liberalise the energy sector suffered a substantial setback yesterday after two gas companies won a court case allowing them to divide east Germany's gas sector between them.

The court rejected an attempt hy the federal cartel office to outlaw contracts hetween gas and electricity companies agreeing regional mooopolies for distrihution and supply of energy.

The ruling means that Mr Günter Rexrodt, the economics minister, will find it more difficult to win support from domestic utility companies in seeking agreement in Brussels on a Europe-wide energy liberalisation law to open energy grids and distribution networks to competition.

"This is a big disappointment for anyone who supports competition in the energy sector," said Mr Jürgen Kiecker, of the cartel office, Germany's competition watchdog. "This was a test case. We will see if we will appeal against the court's decision."

The cartel office had taken action against Verhundnetz Gas (VNG), the east German gas company dominated hy Ruhrgas, the country's largest gas distributor, and Wintershall, the gas suhsidiary of BASF, the chemical group.

It claimed that a December 1994 "demarcation" contract between VNG and Wintershall – in which both agreed not to poach each other's customers in eastero Germany, aod agreed areas in which each would have a monopoly of new customers – was uncompetitive. The companies argued that the agreement eocouraged competition. "That fact that we have a foothold in eastern Germany through this contract with VNG means that there is competition," a Wintershall official said.

"There is no question that we are hlocking competition. Wintershall is now in the markat," a VNG official explained, adding that access by a third party would bave led to lower efficiency and higher prices.

Under German law, demarcatioo contracts are permitted provided they guarantee secure and more economic energy supply at a favourable price. But industry and some cities claim tbe current energy structure is monopolistic, uncompetitive and expensive.

These arguments were used by Wintershall itself when it entered the gas market six years ago. At that time, Wintershall started building a DM4bn ($2.7bn) pipeline network across the country – it now has a 10 per cent share of the German market, but has had little success in eastern Germany where VNG dominates distrihution.

Wintershall won a delivery contract with Gazprom, the Russian state-run company, to distribute gas in Germany, some of which is sold to VNG.

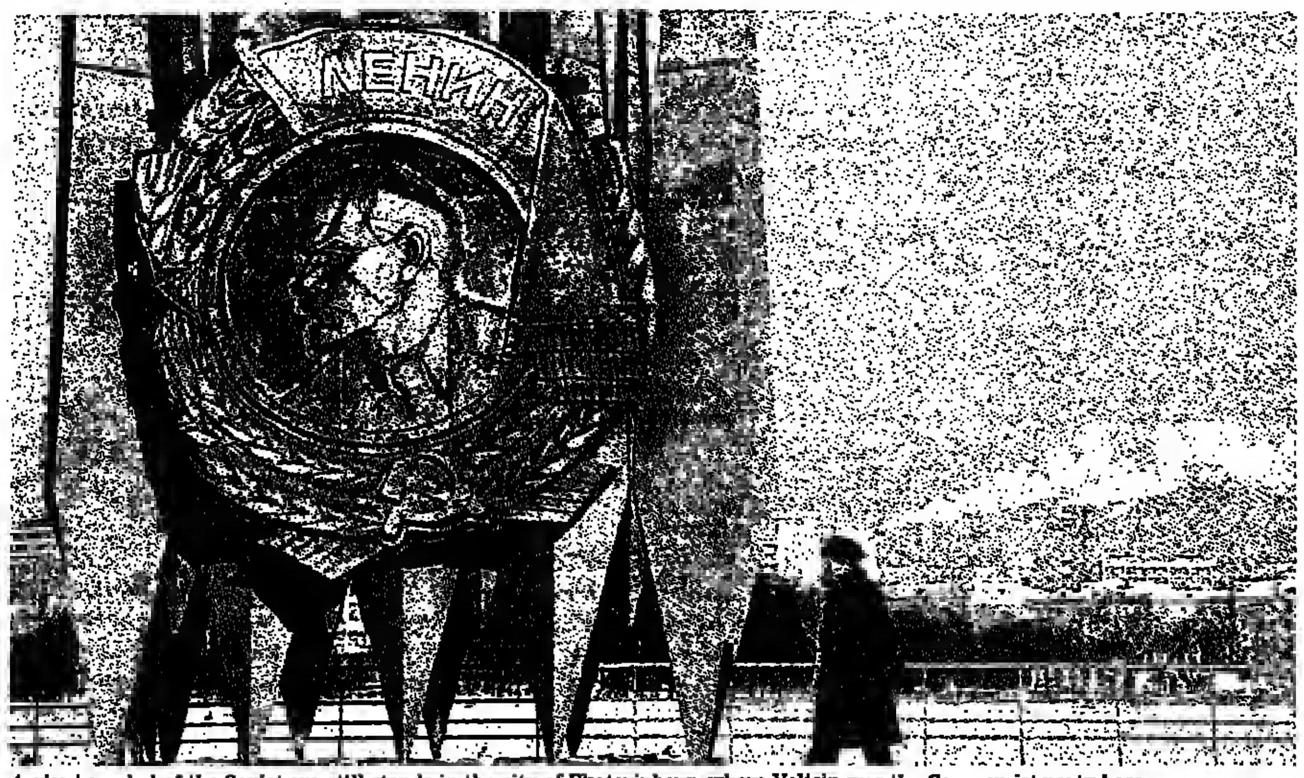
Yeltsin draws on Communist roots

By Chrystia Freeland in Ekaterinberg, Russia

An unpleasant surprise awaits Russian President Boris Yeltsin later today when he is scheduled to visit his father's grave as part of a whistle-stop tour of his hometown which is expected to culminate in the announcemeot that he will stand in the presidential elections in June.

The planned show of respect for a deceased parent is a deft political touch, hut the moment Mr Yeltsin sets foot in the Ekaterinherg cemetery where his father is buried he will be confronted by a less welcome spectre. The entrance to the graveyard is dominated by a massive portrait, carved in black marhle, of Mikhail Kuchin, the former owner of the Ekaterinberg casino who was killed in a gang-land style assassination at the age of 25.

If, as the president and his entourage have broadly hinted, Mr Yeltsin uses today's visit to the industrial city in the Ural mountains to launch a campaign for re-election, his most pressing political task will be to distance himself in the *minds of* voters from widely disliked and feared *nouveaux riches* such as Kuchin was.



A giant symbol of the Soviet era still stands in tbe city of Ekaterinberg, where Yeltsin was the Communist party boss *Reuter*

The president has already begun the effort to reshape his image. Last month he sacked the most outspoken market reformers in his cabinet, most notably Mr Anatoly Chubais, architect of the mass privatisation programme which brought Russia's wild capitalism to life. In a sharp departure from last year's fiscal austerity, Mr Yeltsin has recently become a crusader for high government spending, making a spate of populist promises which, if implemented, would amount to nearly $300 for every Russian in the run-up to the poll.

Officially launching his re-election campaign in Ekaterinberg – known in Communist times as Sverdlovsk and where he was party first secretary in his former political life – would be the logical step in his attempt to transform himself from a reform capitalist into an ordinary guy concerned primarily with getting things done and improving the lot of the common man.

The president's most serious challenger, Mr Gennady Zyuganov, leader of the Communist party, is expected to launch his campaign for the Kremlin at a Communist conference in Moscow today. Mr Zyuganov, who ironically never climbed as high as Mr Yeltsin in the party pecking order of the old regime, is widely perceived as a lack-lustre personality, lackiog Mr Yeltsin's charisma, political guile and control over the machinery of state.

But Mr Zyuganov is not haunted by the ghosts of the unloved *nouveaux riches* and he is happy to blame Mr Yeltsin for the painful transition to a oew economic system.

As Ms Luidmila Samarskaya, head of the local branch of the Communist party, explains: "The tide of popular dissatisfaction with reforms is rising. People fear losing their jobs, not receiving their pensions and dying in the war in Chechoya. Ekaterinherg oo looger loves Boris Nikolaevich."

Berlin police search site for illegal workers

By Judy Dempsey

Berlin police and employment department officials yesterday made a surprise raid on a large construction site in the heart of the city, surrounding the half-built office hlock and searching it for illegal workers. The operation involving over 100 policemen and women, several police vans, interpretators, and scores of employment department officials is part of a crackdown by the Berlin and Brandenburg authorities on huilding companies which hire labour below German prices.

More raids may follow in other parts of the country after a government decision last week to clamp down on cheap foreign labour – even those from other European Union countries.

The construction industry, faced with growing competition from non-German companies, is ambivalent abont the decision. Mr Lothar Mayer, chairman of Philipp Holzmann, Germany's largest construction group, said yesterday domestic labour costs in the indnstry were dragging down competitiveness.

"Foreign workers cost less, especially if they are employed illegally," said Mr Detlev Berkner, responsible for coordinating the raids across Berlin and Brandenburg. "Some of them cost DM5 ($3.40) an hour - no insurance, nothing. A German labourer would cost the employer between DM60-DM80 an hour," he said.

Yesterday's raid took place at the Kontorhaus, an office complex under construction on the corner of Kronenstrasse and Freidrichstrasse – an area set to become Berlin's new fashionable district and where Galeries Lafayette, the Parisian department store, will open later this month.

But there were few signs of the glitz and glamour yesterday as several east Europeans and former Yngoslavs were escorted from the site for questioning. Others, mostly young men, were photographed against the site's fences.

"Some may have to return home. We'll have to check their papers," said Mr Berkner. In the meantime, he said the authorities would question the management.

"We will keep carrying out these searches. Depending on the size of the site, we carry ont about two raids a day. The higger the huilding site, tbe greater the number of illegal workers. Sometimes 100 per cent of the workers are illegal," said Mr Berkner.

EU to underspend agricultural budget

By Caroline Southey in Strasbourg

The EU expects to underspend this year's Ecu40.8bn ($51hn) agricnltural bndget by Ecu698m as a resnlt of reforms to the common agricultural policy and improvements in commodity prices, Mr Franz Fischler, the EU Commissioner for agriculture, said yesterday.

This means member states will have to pay less into the central hudget this year, unless they agree that the money sbould be used elsewhere.

EU agriculture expeoditure is expected to decline further from next year because direct aid payments, agreed as part of the wide-ranging reforms in 1992, peak tbis year and export refund paymeots will fall as Gatt limits reduce tbe scope of subsidised exports.

The underspend in 1996 is a result of savings from export refunds which have fallen dramatically following an increase in world market prices during tbe second half of last year. This more than offset a rise in direct aid payments which stood at Ecu23bn during tbe 1995/1996 marketing year.

The figures were released as Mr Fischler unveiled an agricnltural price package for 1996/1997, which he said would he neutral in hodget terms. This year's annnal price-fixing exercise contains minimal cbanges as support prices and direct aid payments for prodncers were fixed as part of the 1992 reforms.

The proposed changes inclnde scrapping the second beef premium, paid at 22 months, and increasing tbe first paid at 10 months by 14 per ceot as well as creating ooe instead of two set-aside rates for arahle crops.

Before giving the package the green light yesterday, a nnmher of Commissiooers, including Sir Leon Brittan, EU commissioner for trade, attacked Mr Fischler's cantious approach on reforms. He denied the drive for reform of the CAP was "grinding to a halt", arguing that sectors excluded from the wide-ranging changes introdnced in 1992 still had to be tackled. These inclnded the wine, fruit and vegetahle and olive oil sectors.

It had to be recognised that the status-qno was "not an option for the long term. In the medium to long term we have to ensure continned reform of the CAP," he said.

Mr Fischler also suggested be would initiate a debate on the EU's controversial milk quota regime, which limits the milk outpnt of producers through the allocation of individnal qnotas. Any proposed changes to the regime, which costs the EU Ecu4bn annually and is dne to expire in 2000, will he fiercely resisted hy farmers.

White House upbeat on business upturn

By Michael Prowse in Washington

The US business expansion is in no danger of ending prematurely, Mr Joseph Stiglitz, chief White House economist, indicated yesterday in an Economic Report of the President crafted to reassure financial markets and underline the Clinton administration's economic achievements.

"The economy during 1995 made the transition from economic recovery, during which growth was driven by removing slack from labour and capital markets, to a period where growth is and will continue to be determined by the expansion of the economy's capacity," the report says.

Mr Stiglitz and colleagues on the Council of Economic Advisers also try to put the intense political debate of the past year in perspective by analysing the role of government in a modern economy. They acknowledge the "era of big government is over" but set out numerous ways in which government can promote economic growth and a fairer distribution of income.

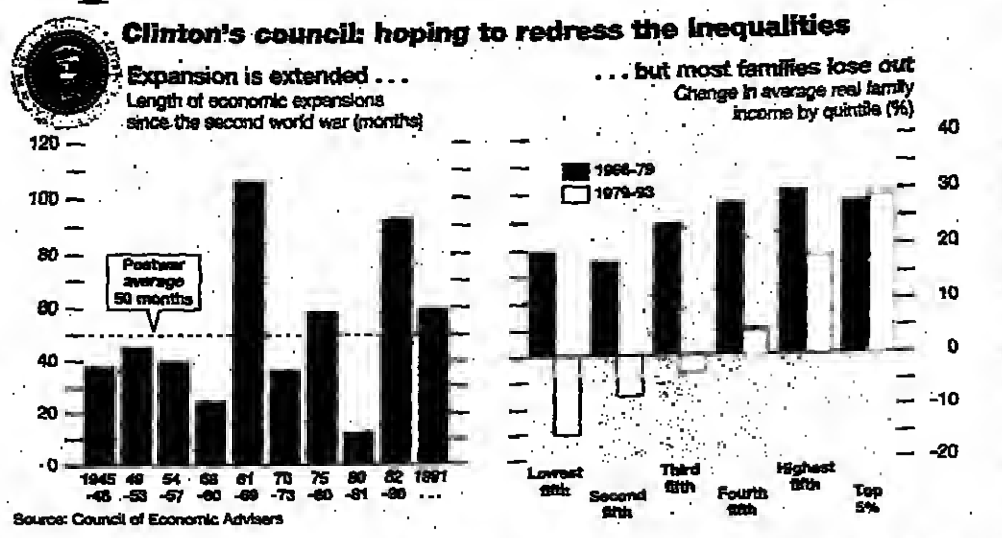
The report, published annually since 1946, is widely read in colleges and universities as well as in government, business and financial circles.

The council warns that the economy "may hit a pothole" in the first quarter of this year, reflecting bad weather and the recent government shutdown, but it believes the economy is "fundamentally sound". It projects growth of 2.2 per cent this year (on the new chain-weighted basis which allows for the changing structure of prices) after a disappointing 1.5 per cent last year.

The core rate of inflation is expected to remain at about 3 per cent; the jobless rate is seen as static at about 5.7 per cent.

Since the economy is now operating at full capacity, future growth will depend on the rate at which capacity expands. This is put at about 2.3 per cent a year, reflecting labour force growth of 1.1 per cent and productivity gains of 1.2 per cent. Provided monetary policy is adjusted to keep the economy on this stable growth path, Mr Stiglitz expects inflation and unemployment to remain at about their current levels for several years.

The current expansion, which began in March 1991, has run for 59 months, a little longer than the 50-month average for expansions since 1945 (see chart). This has prompted speculation that a recession might be due. However, the council stresses there is no such thing as a "normal life-span" for a business cycle. Expansions are not significantly more likely to end simply because they get older (this, however, is true of recessions because governments typically adopt stimulatory measures). The longest recent expansion, in the 1960s, lasted 106 months.



The best way to judge whether an expansion is about to end is to look for symptoms of strain such as rising inflation, climbing interest rates, financial imbalances, banking sector troubles, or an overhang of corporate inventories. Since none of these strains is visible (the slowdown in production last year helped reduce a mini-overhang of inventories), the council doubts a recession is in the offing.

On the contrary, it sees signs of a fundamental improvement in economic conditions. In the 1980s the core rate of inflation rose when the jobless rate dipped below 6 per cent. But in this upturn the jobless rate has hovered around 5.6 per cent for more than a year without seeming to put upward pressure on inflation, indicating the rate of unemployment consistent with stable inflation (the so-called NAIRU) may have fallen to about 5.5-5.7 per cent.

This decline could reflect structural changes such as increased global competition, weaker unions and greater concern about job security.

The council is also encouraged by the fall in long-term interest rates and buoyancy of share prices which "in part reflect an outlook for inflation reminiscent of the early 1960s". Mr Stiglitz believes the dazzling rise in the Dow Jones index is mostly explained by falls in interest rates and impressive corporate profits, which reflect stable wages and strong gains in productivity in manufacturing industry.

However, he concedes that investors may soon have to make a "judgment call" as to whether the rise has been excessive.

On the role of the state, Mr Stiglitz accepts the need for some downsizing, including the possible devolution of some functions to state and other lower tiers of government.

He believes the federal government can promote growth in four main ways: by reducing its own fiscal deficits and thus stimulating private investment; by investing in people and technology; by opening up markets at home as well as overseas (he cites recent telecommunications reforms as an example); and by improving its own efficiency as a service provider and regulator.

He puts the greatest stress, however, on investment in people, which he regards as essential if the government is to ensure that the benefits of growth are broadly spread. The report points out (see chart) that between 1966 and 1979 Americans at all income levels enjoyed a sizeable increase in living standards: the poorest fifth saw incomes rise by 20 per cent in real terms.

But since 1979, only the top fifth has seen a large increase in real incomes; the incomes of the poorest 60 per cent have declined in real terms.

As a former university professor, Mr Stiglitz believes the federal government can best reduce this growing inequality – which probably reflects technological changes – by helping lower income groups gain access to higher education and suitable skills training.

Argentina and IMF agree $1.1bn facility

By David Pilling in Buenos Aires

The International Monetary Fund will provide Argentina with a standby facility of about $1.1bn to be disbursed quarterly in equal tranches until December 1997, officials said yesterday.

The agreement, which should be approved by the IMF's board next month, requires Argentina to balance its budget this year, but allows it to plug a deficit of up to $2.5bn through the sale of assets. If Argentina cannot raise this amount through privatisations in 1996, it is understood the IMF will allow Buenos Aires to borrow the shortfall using future sell-offs as collateral.

"We think it's a good agreement, in which the numbers seem to stack up pretty well," said Mr Geoffrey Dennis, Latin American strategist at Bear Sterns.

"It is clearly timed to coincide with [economy minister Domingo] Cavallo's roadshow in the US." Argentina is in the process of issuing a $1bn yankee bond, a placement that Mr Dennis said was "going well".

Mr Dario Braun, Argentina's sub-secretary of macro-economic planning, yesterday denied that a request for an extended fund facility, which would have run until 1999, had been turned down by the IMF. Both sides had agreed that a standby agreement was more appropriate, he said.

Neither had the IMF demanded an agreement, implicit or otherwise, over value-added tax, he said. President Carlos Menem has promised to cut VAT by 3 points from its emergency rate of 21 per cent, but the Fund is believed to be concerned that a reduction could undermine tax receipts.

Mr Dennis said Bear Sterns would have preferred "some commitment to end the emergency tax rate". If Argentina were to meet its budgetary targets it needed to "maximise growth"; this would not be achieved through an excessively tight fiscal policy. There was evidence that lowering VAT, by stimulating growth, would not reduce the tax take.

Mr Luis Secco, economist at the Broda consultancy, said tax projections were unrealistic. Broda is forecasting a fiscal deficit for 1996 of $4.9bn, double the implied deficit envisaged by the Fund, while it projects privatisation revenue of only $1.5bn.

Besides being unrealistic, Mr Secco said that to aim for merely a balanced budget was "very unambitious".

'We think it's a good deal, in which numbers stack up well'

External conditions were more favourable for borrowing than last year, when access to capital markets had been extremely tight, Mr Secco said. This had tempted the administration to relax its purse strings instead of paring spending further.

"The problem is that, when the Argentine authorities have the money, they spend it. Last year, they had to cut because they had no alternative."

Mr Braun said that to try to generate a surplus as the economy recovered from last year's sharp recession would be "counter-cyclical and counter-productive".

Should the need arise, however, further spending cuts could be applied. President Menem has asked Congress to grant him "superpowers" which would allow him to merge and scrap overlapping tiers of the government bureaucracy. Such cuts could save up to $1bn.

The lower house of Congress last week agreed to grant the president these exceptional powers. The bill is now being discussed in the Senate where, as in the lower house, the governing Psronist party has a majority.

Swifty brings Random House to book

By Alice Rawsthorn

Mr Irving Lazar, the late Hollywood agent, was a legend in Tinseltown. He won his nickname, "Swifty", by clinching five film deals in a day for Humphrey Bogart, but now has a new claim to fame as the architect of Joan Collins' book contract.

Thanks to Mr Lazar, Ms Collins, the actress-turned-novelist, won a legal battle this week against the powerful US book publisher Random House, which took her to court in an attempt to recover $1.2m of advances and refused to pay her $800,000 in additional advances.

Random House claimed Ms Collins had breached a 1990 publishing contract whereby it agreed to pay her $2m on receipt of two complete novels.

The publisher alleged the work she submitted was not complete. The jury found in her favour, deciding that she could keep the $1.2m she had already received and might be owed the remaining $800,000.

The verdict was an embarrassing blow for Random House and a triumph for Ms Collins. She cast herself as a tearful *grande dame* in the courtroom, almost eclipsing her performance as the arch-bitch, Alexis Carrington Colby, in the 1980's TV soap opera Dynasty.

However, the real victory lies with Mr Lazar (who died in 1993) because if he had not negotiated such an exceptional contract for Ms Collins, she might have lost the case.

Although the sums of money involved in US literary contracts vary enormously, the wording is usually standard. This is largely because the contracts are written by the publishers, rather than by agents as is the case in the UK.

One of the classic clauses in almost all US publishing deals is that the publisher will only be liable to pay the advance if it deems the manuscript to be "complete" and "acceptable".

Over the years the more aggressive US literary agents have tried their hardest to persuade publishers to delete the word "acceptable". Almost all of them have failed – except for Mr Lazar when he clinched Ms Collins' deal with Random House.

His client thus became one of the few authors whose publisher had no right to reject a manuscript if it considered that the quality of the writing was inadequate.

The consensus in publishing circles is that Random House only agreed to exclude the "acceptable" provision from Ms Collins' agreement because, as a celebrity author, she could be regarded as an exceptional case whose contract would not set a precedent for other writers.

Similarly, the company may well have been willing to make an exception for Mr Lazar on the grounds that he was primarily a Hollywood agent, who only negotiated literary deals on behalf of existing theatrical clients such as Ms Collins and the actor Michael Caine. Again this meant there was little risk of the contract setting a dangerous precedent.

"Whatever happened, Random House must be kicking itself for caving in to Swifty's demands," said one literary agent.

"Maybe someone else has negotiated a similar contract with another publisher. But one thing's for sure: no one's going to be able to do it again."

Facing the press: Joan Collins outside the Supreme Court in New York AP

China refuses to kow-tow on tariff reform

Beijing will set its own path towards liberalisation, unswayed by foreign pressure, its trade minister is telling the west

China intends to press ahead with further economic and trade reforms, whether or not its slow-moving negotiations to join the World Trade Organisation succeed, Ms Wu Yi, China's foreign trade minister, said yesterday.

She said Beijing aimed gradually to reduce its import tariffs to the level in other developing countries, and to continue to align its trade and economic policies more closely with those in the rest of the world.

However, Ms Wu said the Chinese government would determine the pace of future reforms and would not "barter away" fundamental interests simply to obtain WTO membership.

China has already announced plans to cut tariffs on 4,900 product lines in April. That would reduce its overall tariff rate from 36 per cent to 23 per cent – but would leave it well above the 15 per cent average for developing countries.

Ms Wu said "massive" reforms by China in the past decade qualified it to join the WTO as a developing country. However progress of the WTO negotiations – of which a further session is due to be held next month – "has not been so satisfactory".

"We can only make commitments consistent with our level of economic development. Sometimes, demands are made on the basis of predictions of China's future development and of the admission fees correspondingly required. This, I believe, is very unreasonable," she said.

"The initiative is in the hands of some (WTO members) as to when China can join. It is not up to China to decide." Asked if that meant that Beijing was unwilling to offer further concessions in the talks, Ms Wu said: "In negotiations, it is normal and usual for both sides to make concessions and compromises. If one side insists on its own demands, then negotiations cannot go on. There has been no precedent for the success of such negotiations in the world. China will continue to maintain flexibility in its WTO accession negotiations."

However, she added: "No matter whether...and no matter when China will join the WTO, China's reform and open-door programme will continue. But this programme will proceed according to timetables determined by ourselves." Ms Wu criticised the European Union for pursuing a "very strong protectionist policy against China" by maintaining quotas on its exports and applying anti-dumping rules in an unfair and discriminatory manner, which treated China as a non-market economy.

She said the export quotas violated both the EU's trade and economic agreement with China and international trade rules. She hoped Britain could persuade the EU to drop its restrictions on Chinese exports.

The Chinese minister said trade and investment relations with the UK had "a very brilliant future" now that the two countries had overcome differences over the future of Hong Kong.

"A good political relationship would contribute positively to trade and economic ties. On the flip side, if the political relationship is not good, it would inevitably have an adverse impact on trade and economic co-operation."

By contrast, she emphasised that China's trade and economic links with the US had continued to prosper, in spite of political frictions.

She hoped negotiations with the US over implementation of last year's bilateral agreement to stamp out copyright piracy would succeed. China had taken extensive measures to enforce the accord and wanted to co-operate with the US to ensure that it was effective.

However, Ms Wu made clear that if the negotiations broke down, and the US carried out its threat to impose sanctions on more than $1bn in Chinese exports, Beijing would retaliate in kind. "In China, we have a saying that courtesy demands reciprocity. It would be impolite not to return the goodwill."

She added: "The Chinese people love peace and we are not willing to start a war in the commercial battlefield. However, if we are attacked, we have to defend ourselves. But we certainly do not want to see a war."

Ms Wu exhibited a similar blend of guarded optimism and caution about prospects for renewal of China's Most Favoured Nation trade status by the US Congress this summer. "We have offered our best hope, but we have also prepared for the worst," she said.

She acknowledged that some US politicians were again seeking to link MFN renewal to human rights issues. However, she hoped the combined efforts of the US and Chinese governments and business communities would ensure that Congress passed the legislation.

It was increasingly recognised that revocation of MFN would damage the US as much as China, she said. To make the point unmistakeably clear, she recalled that US companies had $9.4bn invested in 18,000 projects in her country. "Both sides would be victimised," she said.

Guy de Jonquières
Peter Montagnon

Singapore exposes tip of corruption iceberg

Efforts to curb bribery in the award of international contracts are in their infancy, writes Andrew Taylor

Mr Lee Kuan Yew, when he was prime minister of Singapore, claimed to be the world's highest-paid head of state, but not the richest. It was an oblique reference to the business kick-backs received by other leaders.

This week Singapore – which has some of the world's toughest anti-corruption penalties – banned five international manufacturing and contracting companies implicated in a bribery scandal from bidding for local power contracts.

The ban on BICC of Britain, Siemens of Germany, Pirelli of Italy and Tomen and Marubeni, both of Japan, follows the jailing for 14 years of a senior official of the Public Utilities Board for accepting bribes from a former colleague, who was acting as a consultant for the five companies. BICC and Pirelli, which have blamed the ban on "a misunderstanding", are considering an appeal.

The sums alleged to have been paid to Mr Choy Hon Tim, deputy chief executive of the Public Utilities Board, are tiny compared with those involved in the corruption and fraud that is endemic in international construction projects.

Singapore stands out in its efforts to stem corruption. Many industrial countries attack poor and emerging economies for tolerating bribery but do little to inhibit their own citizens from offering inducements.

So far only the US has legislation, the Foreign Corrupt Practices Act passed in 1977, allowing authorities to pursue criminal actions against residents for acts abroad – even if the link to US territory is no more than a phone call.

After years of US pressure, the Organisation for Economic Co-operation and Development, the club of industrial countries, in 1994 accepted recommendations to introduce criminal and civil laws to punish international corruption and to modify tax regimes, such as in Germany, which have allowed companies to offset foreign bribes against tax.

It also recommended that companies be required to provide details of payments to foreign customers and representatives, and that banks should make records available. Progress, however, is expected to be slow, with countries likely to be unwilling to concede a "competitive" edge unless international rivals accept similar restrictions.

Professor Mark Pieth, chairman of the OECD committee on Bribery in International Business Transactions, says much will depend on how individual countries word legislation. For example, would an inducement be regarded as an offence if it was not illegal in the country where the act was committed? Would companies and individuals be fined or would they be banned from specific areas of public procurement? Diverse responses by different countries could undermine the initiative.

The OECD has no powers to make any guidelines binding. The US has recently proposed that corporate bribery should be placed on the agenda of the ministerial meeting of the World Trade Organisation in Singapore next December, which does have the power to enforce agreements.

However, the WTO is unlikely to take up the idea soon. Not only is it unclear how corruption could be subjected to multilateral trade disciplines, but many developing countries in the WTO are opposed in principle to using it as a forum to discuss bribery.

Mr George Moody-Stuart, chairman of the UK branch of Transparency International, a Berlin-based non-government organisation established in 1993 to combat international corruption, said: "Pressure is also mounting on funding organisations such as the World Bank to police loans more thoroughly and to take action against companies and countries offering and receiving bribes."

Mr Moody-Stewart a former director of Booker-Tate & Lyle, the merged tropical agriculture business, worked for 35 years in Africa, the South Pacific and the Caribbean. He says bribes are often paid out of the commission to local representatives which have assisted in setting up a deal.

"A couple of years ago a managing director of a medium-sized company assured me that they never made any questionable payments. This was interesting because only a few weeks earlier one of his senior managers in Uganda had complained to me bitterly about a payment he had felt obliged to make to a minister," said Mr Moody-Stewart.

Transparency International has recommended that developing nations insist chief executives of companies bidding for large public contracts should sign an anti-bribery disclaimer. This would be matched by equal public commitment from the countries' officials and politicians not to accept bribes. The approach has already been adopted for a large refinery project in Ecuador.

The Fédération Internationale des Ingénieurs Conseils (International Federation of Consulting Engineers) later this year will also launch a code of conduct requiring senior executives to sign disclaimers that their employees will not offer payments or gifts to win work.

Mr William Lewis, federation president, said it was planned to include the disclaimer in international standard forms of construction contracts drawn up by the federation. He said: "We hope it will concentrate executives' minds and that they may be less ready to claim they do not know what their employees are doing."

Mr Sudhir Chavda, a consulting engineer and secretary of the Front Against Corrupt Elements in Tanzania, speaking recently at a federation conference, explained how bribes as little as $500 might be used to get information on projects. A $5,000 fee might be paid to get on a shortlist and $25,000 to win the bid. Senior officials might then expect to siphon off at least 20 per cent of the capital cost of the project running into millions of dollars.

"Progressively the country becomes indebted as bogus development projects fail to yield expected returns on invested capital," said Mr Chavda.

WORLD TRADE NEWS DIGEST

Ford's Belarus plans advance

Negotiations between Ford, the second largest motor manufacturer in the US, and the government of Belarus on a joint venture to assemble vehicles have taken a step forward with the arrival in Minsk of a Ford team to decide which local companies should be involved.

The project, announced by Ford last December, ran into difficulties after workers and management at the Minsk tractor plant criticised plans to assemble cars at a special unit within the plant.

The broad lines of the deal envisage assembly of 5,000-10,000 Escort cars and Transit vans, which would be sold through Ford-authorised dealers in Belarus and in other parts of the former Soviet Union.

The partners are aiming for at least 70 per cent of the parts to be produced in Belarus, and for the vehicles to be priced competitively with like-sized Russian models made in Russia.

A Belarus spokesman said the government proposed that Ford should take a 51 per cent stake in the venture, with 26 per cent being held by the state and 23 per cent by Lada OMC Holding, a Russian company. *Haig Simonian, Motor Industry Correspondent*

Anti-pollution finance agreed

Nalco Fuel Tech, a joint venture between Fuel Tech NV and Nalco Chemical of the US, has signed a $50m agreement to finance its entry into the central European market for low-cost, anti-pollution systems capable of being retrofitted.

The agreement with TRC Companies covers both financing and engineering support for power plant air pollution control systems for antiquated and polluting coal-fired boilers used across the former Soviet bloc.

Mr Kent Durr, Fuel Tech's chairman, said that Poland alone had more than 6,000 boilers to which the companies' air pollution control technologies could be applied. Power companies in the Czech Republic, Hungary and Slovakia had also expressed interest.

The process reduces sulphur dioxide, nitrogen oxide and other emissions and has been installed in more than 180 power plants. The company is installing its first commercial system in central Europe at Legnica in Poland after successful trials at power stations there.

Thousands of plants throughout the former Soviet bloc require anti-pollution systems which do not require highly capital intensive wet-scrubbing. The low cost system has attracted extra funding from the Warsaw government and the US Export-Import Bank. The Polish trial is also being closely followed by the European Bank for Reconstruction and Development which provides finance for pollution abatement in eastern Europe. *Anthony Robinson, London*

Nepal invites power bids

Nepal is inviting foreign private investment to develop an hydroelectric project rejected by the World Bank last year as unviable. Mr Pashupati Shumsher Rana, the country's water resources minister, said the 402MW Arun III project in eastern Nepal was one of many projects open for private sector participation and foreign investment.

Last August, the World Bank withdrew a promised $175m loan for the first phase of the project, which was designed to produce 201MW of electricity in the remote Arun valley. It said the facility was too big for Nepal to support.

The $1bn plant was to have been co-funded by western donors, including Germany and France, and the Manila-based Asian Development Bank (ADB). *Reuter, New Delhi*

COMMODITIES AND AGRICULTURE

'Physical demand for gold 'to stay at record levels'

By Kenneth Gooding, Mining Correspondent

Physical demand for gold in the key markets

Tonnes

India, US, Japan, China, Saudi Arabia, Taiwan, Turkey, South Korea, Indonesia, Thailand, Italy

1995 / 1994

0 100 200 300 400 500

Source: The World Gold Council

Demand for physical gold in 1996 will stay at record levels, the World Gold Council, a promotional organisation financed by some of the world's leading producers of the precious metal, predicted yesterday.

"Even if demand only consolidates at the levels reached last year it would continue to provide a strong fundamental base to the gold market," said Ms Helen Junz, director of the council's Gold Economics Service.

In the 22 markets monitored by the WGC – they account for about 75 per cent of global demand – physical gold offtake was estimated to have reached 3,746 tonnes, 10 per cent above the 1994 level and beating the previous record set in 1992 by 7.6 per cent.

That was in line with the preliminary estimates last month by Gold Fields Mineral Services, the consultancy group that also monitors world gold markets. GFMS suggested that global demand for gold last year reached a record level of 3,550 tonnes, compared with the previous peak of 3,416 in 1992.

Ms Junz yesterday dismissed suggestions made by some analysts that physical demand for gold was already falling sharply towards the end of last year, just before the recent upward shift in the gold price. There was a substantial variation in demand growth rates during the year, however, with the first half of 1995 posting a 15.5 per cent year over year growth while in the second half growth fell back to a more normal 3.5 per cent.

She said the performance in those markets with a very high offtake of physical gold indicated that growth in income in countries such as India and Turkey was more important for demand than changes in the price of gold.

"Good income growth in India helped mitigate the effects of the price rise [in gold] in rupee terms since mid-1995," said Ms Junz.

There was no "global gold market," she pointed out. "Different markets will react differently to gold price changes. While most developed country markets, in terms of jewellery demand, are relatively insensitive to price change, in Turkey the population tends to buy into a rising price trend, and in Hong Kong there tends to be active two-way trading in response to price variations."

She said last year would be remembered as one in which on the supply side forward sales became a big element while on the demand side the attractions of gold's basic attributes were demonstrated again – its indestructibility (as some Japanese discovered after the Kobe earthquake) and its relative safety as an asset that is nobody's liability.

Canadians revitalise Cuban nickel plant

Pascal Fletcher on Sherritt International's reversal of Moa Bay's post-Soviet decline

Early in January, a letter was pinned up outside the workers' canteen at Cuba's Moa Bay nickel plant, which is run jointly by Canada's Sherritt International Corporation and a Cuban state company.

In the letter the management congratulated workers on a new one-day output record – just over 101 tonnes of contained nickel plus cobalt in mixed sulphides – achieved on January 2.

Moa Nickel, the Cuban-Canadian joint company that operates the plant, aims to raise production this year to the full capacity of 24,000 tonnes – from 20,000 tonnes in 1995 and 13,000 in 1994.

Capital, new equipment, management skills and incentive schemes introduced by Sherritt over the last 12 months have revitalised the US-built plant, which was commissioned 36 years ago at the eastern Cuban mining town of Moa. It was nationalised after the 1959 Cuban Revolution.

Moa Bay, which employs pressure acid leaching to process ore scooped from huge surface deposits, feeds a nickel/cobalt refinery at Fort Saskatchewan in Alberta, Canada. This is also run jointly by Sherritt and Cuba under a vertically-integrated processing, refining and marketing venture formed at the end of 1994. The deal gives cash-strapped Cuba a share in world sales of refined nickel and cobalt.

The Canadian investment, one of the most prominent and successful so far on the communist-ruled Caribbean island, appears to have breathed new life into the entire Cuban nickel industry, which had suffered a decline in output since 1990 caused by the loss of the Soviet market and Soviet technical supplies.

Cuba's nickel/cobalt production rebounded in 1995 to 43,900 tonnes from a low of 26,362 tonnes in 1994.

Moa Bay alone produced nearly half of the 1995 total output from Cuba's three operating nickel plants, two of which are wholly Cuban-run. The Cuban-Canadian venture should contribute around 50 per cent of Cuba's nickel/cobalt production target for 1996 of 46,000 tonnes.

Around Moa, stretching away for as far as the eye can see, is a landscape of rolling, pine-covered hills containing huge deposits of red-brown nickeliferous limonite ore. Cuba has one of the world's largest reserves of this nickel/cobalt ore, estimated at around 800m tonnes.

The concessions allocated to Moa Nickel cover around 37,000 hectares, incorporating some 50m tonnes of estimated reserves with average grades of just over 1 per cent nickel and 0.12 per cent cobalt. This is enough to supply the plant for 25 years and additional deposits are available to feed it for a further 25.

Cuban Contained Nickel and Cobalt Production (tonnes)

1996*	46,000
1995	43,900
1994	26,362
1993	30,227
1992	32,446
1991	33,994
1990	41,099
1989	46,591
1985	33,376
1980	37,778
1970	35,627
1975	30,683

*Projected.

Mr Ian Delaney, president of the newly-created Sherritt International Corporation, which runs Sherritt's Cuban businesses, said the company wanted to upgrade and expand the Moa Bay plant. He described it as a "discreet, low cost operation", involving only a handful of expatriate personnel.

The Canadian-Cuban venture plans to sink around $165m of capital investments into Moa Bay between now and the end of 1999 to enable the plant to sustain production of 24,000 tonnes a year. An additional $173m could be invested up to and after the year 2000 to expand production to 46,000 tonnes.

Major capital expenditure on refurbishing the facility is due to begin this year, starting with an overhaul of the existing sulphuric acid plant. A new acid plant will be in place by the end of 1997.

Sherritt's input is already visible. Most of Moa Bay's 1,700 workers now wear smart blue overalls, hard hats and steel-toed boots brought from Canada. Improvements in working conditions have included refurbishment of washrooms and other workers' areas, including the canteen.

A big boost to productivity has come from a performance-based hard currency incentive scheme which means the workers, depending on their occupation, earn between US$22 and $30 a month along with their Cuban peso salaries. This makes the Moa Bay employees among the best paid local workers on the island. Moa Nickel pays the Cuban government an average of $9,500 a year for each of its workers, in line with Caribbean standards.

The Moa Bay plant employs a curious hotchpotch of equipment spanning several decades: brand-new machinery brought from Canada and Europe, massive ore-scooping Soviet draglines and a remarkable amount of the original US plant and technology – for example, the California pine vats in the drying plant, Worthington generators and Honeywell and General Electric instruments in the control room.

The venture includes a commitment to respect international environmental standards and engineers have already made improvements to cut air pollution.

The longstanding US economic embargo against Cuba forbids imports of Cuban nickel, so Sherritt sacrificed its previous US market share and built up alternative markets in Canada, Europe and Asia. The Canadian company faces possible claims from the former US owners of Moa Bay and other related properties. In addition, the US government placed Sherritt's Cuban nickel subsidiaries on a black list, making them subject to the same US embargo rules applicable to Cuba.

But Delaney believes the risks and sacrifices are worth it. He presented Cuba's President Fidel Castro in January with a symbolic gift of 100 shares in Sherritt International, "to hold in trust for the Republic of Cuba".

Following Sherritt's trail-blazing lead, other overseas mining giants, such as Australia's WMC and Gencor and Anglo-American of South Africa are now pursuing possible investments in Cuba's nickel mining sector.

Manx oil ambitions move nearer to realisation

The prospect of the Isle of Man developing its own offshore oil and gas industry has taken a further step towards realisation with the out-of-round award of two licences to explore its 12-mile wide territorial seas.

BP Exploration has committed itself to investigating the potential of four blocks to the east of the island. The acreage includes block 112/25, where it made a gas discovery 14 years ago, when the area was under UK jurisdiction. BP, which has withdrawn from the UK Irish Sea, says it has been encouraged by technical advances since the 1980s to re-assess the Isle of Man region.

Marathon Oil has also been offered a new licence and will explore block 112/24, adjacent to acreage it won in the island's debut licensing round last summer.

The latest awards are further proof that interest in the Isle of Man as an oil and gas province is gathering momentum and comes at a time when exploration drilling is about to begin. A wildcat (112/29-1) will be drilled by Marathon in April, six miles off Douglas, the Manx capital. If it is successful, a three-dimensional seismic survey could follow.

Further drilling is planned this Autumn by Elf Petroleum. The company also won acreage in last year's round and, encouraged by early results from a continuing seismic survey, intends to drill on one of five blocks it operates to the north of the island. Analysts believe Elf's block 112/19 is one of the most prospective on the Manx continental shelf.

BP's return to the region is a considerable fillip to the government. Since 1991, when the island negotiated to buy from the UK the seabed mineral resource rights (except coal) extending 12 miles off the island, the department of industry has been gearing up to take advantage of the oil industry's current appetite for exploration in waters west of Britain.

Protection of the environment was given a particularly high priority because all of the Isle of Man acreage lies within 12 miles of its coast-line. Licence conditions in this respect, which are based on UK guidelines for inshore operations, are regarded as especially onerous.

The government has also been careful to encourage the use of local services, although it accepts that during the exploration phase direct benefits will be limited. There have been spin-offs though, including expansion of research at the Port Erin Marine Laboratory.

Financial services dominate the Manx economy, representing around 35 per cent of GNP, while manufacturing accounts for 11 per cent, construction 7 per cent and tourism 6 per cent.

The energy needs of the 70,000 people on the island are met by imports of diesel, which is burnt at two power stations, and of liquefied gas. The government last year carried out its first ever audit of energy consumption as a first step towards developing future energy policy. As part of its licence commitment BP will study the feasibility of offshore gas as an energy source for the island.

Hydrocarbon resource potential on the continental shelf is limited by its size – comprising just 28 blocks (including tiny part blocks), only 11 of which have been licensed.

The government believes it is a gas province, as evidenced by BP's well 112/25-1, together with the proximity of the producing Morecambe Bay fields. Target reservoirs are primarily the shallow Triassic horizons that have proved commercial in Morecambe Bay, but possibilities have been identified at deeper levels.

Oil companies have mapped, using seismic surveying, a number of structures that are large in comparison with the average gas field being made today in the mature southern North Sea. One oil company said its acreage held potential of up to 1,000bn cubic feet of gas, but it would have to be proved by the drill-bit.

Dan Rigden

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1596-97	1625-26
Previous	1609-10	1638-39
High/low	1597.5/1597	1632/1621
AM Official	1597.5-98.0	1627-28
Kerb close		1630-30.5
Open int.	219,862	
Total daily turnover	56,985	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1365-75	1400-405
Previous	1370-80	1405-10
High/low		1405
AM Official	1360-70	1395-400
Kerb close		1405-10
Open int.	4,755	
Total daily turnover	1,234	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	750-51	752-53
Previous	747-48	750-51
High/low		754/748
AM Official	751-51.5	751.5-52.0
Kerb close		754-5
Open int.	35,896	
Total daily turnover	5,811	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8105-15	8220-25
Previous	8095-105	8200-10
High/low	8120/8110	8240/8180
AM Official	8115-20	8201-2
Kerb close		8240-50
Open int.	41,759	
Total daily turnover	10,438	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6165-75	6235-40
Previous	6185-95	6255-60
High/low		6250/6230
AM Official	6175-80	6240-45
Kerb close		6250-60
Open int.	15,649	
Total daily turnover	4,339	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1026-27	1047-48
Previous	1022.5-3.5	1044-45
High/low	1027	1051/1044
AM Official	1027-27.5	1047.5-48.0
Kerb close		1051-2
Open int.	78,053	
Total daily turnover	27,223	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2504-507	2487-88
Previous	2502-4	2490-92
High/low	2510/2506	2491/2477
AM Official	2508-10	2489-90
Kerb close		2488-89
Open int.	178,240	
Total daily turnover	56,099	

■ LME AM Official £/$ rate: 1.5390

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	63.425	-1.100	64.600	63.400	1,173	5,692
Apr	63.450	-1.375	64.900	63.425	4,034	34,223
Jun	61.800	-0.775	62.650	61.700	1,116	18,262
Aug	61.725	-0.300	62.050	61.625	446	8,321
Oct	62.825	-0.300	63.000	62.550	297	8,778
Dec	62.000	-0.300	62.350	61.950	151	4,779
Total					7,365	82,183

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	48.600	-1.500	49.750	48.600	1,075	2,110
Apr	46.125	-1.300	47.150	46.000	2,891	12,383
Jun	51.350	-1.050	52.100	51.100	1,355	9,154
Jul	50.225	-0.725	50.850	50.100	275	2,804
Aug	48.700	-0.750	49.300	48.500	627	3,834
Oct	44.850	-0.350	45.300	44.850	117	1,880
Total					6,413	34,229

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	58.975	-1.375	60.000	58.350	150	431
Mar	58.350	-1.425	59.350	57.775	994	2,910
May	59.550	-1.025	60.200	58.600	784	2,376
Jul	58.275	-0.900	58.700	57.175	153	1,297
Aug	55.200	-1.000	55.200	54.700	24	261
Total					2,105	7,275

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Jul	May	Jul
1500	144	167	15	26
1600	76	103	45	60
1700	33	58	101	112
■ COPPER (Grade A) LME	May	Jul	May	Jul
2400	126	120	39	80
2500	70	74	82	132
2600	35	-	145	-
■ COFFEE LCE	Mar	May	Mar	May
1500	644	82	-	-
1550	594	-	-	-
1600	544	-	-	-
■ COCOA LCE	Mar	May	Mar	May
875	34	66	1	9
900	14	48	8	16
925	3	33	20	26
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
[illegible]				

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

[illegible]

■ OTHER

[illegible]

JOTTER PAD

CROSSWORD

No. 8,994 Set by VIXEN

ACROSS

1 Get out a note considered acceptable (6)
4 Fly around at church keeping an eye on things (8)
10 Will meant to go straight following investigation (9)
11 Security device for the western border (5)
12 A bleak beginning, but effective (4)
13 Guy one turning up late for work (10)
15 Approach swindle with savoir-faire (7)
16 Expect properly organised bar (6)
19 To pass by is hard (6)
21 Idle now – forced to take a rest (3,4)
23 Monster bird occupied with grain (10)
25 Continental staff (4)
27 Old people in hospital want nice nightwear (5)
28 Breaks prove a tie for the manual worker (9)
29 Builders bearing with certain men of the cloth (8)
30 Jam produced in difficult circumstances (6)

DOWN

1 Access for transport (8)
2 Only in hotel and church is disrespect apparent (9)
3 A Russian individual with leading position (4)
5 Tirades unreasonably mounted (7)
6 The stockman browbeat the boxer (3-7)
7 Some disdain dialect in this country (5)
8 Greet new pupil, a German girl (6)
9 Military personnel are unable to withdraw (6)
14 A financier's accountant set against a record (10)
17 Demonstrating without approval is maddening (9)
18 Proceeds to attract attention (8)
20 Hold on to the port (7)
21 Gave tongue, though subdued (6)
22 A person writing to put points about bed (6)
24 American Indians go around quietly, and that's material (5)
26 Not a square dance! (4)

Solution 8,993

CRINGE SCIMITAR / REPTILE RICOTTA / PROD PARANORMAL / CAPTOR BUTCHER / RUFFIAN APLOMB / SUPERSONIC PURE / ROWDILY GARMENT / MARITIME SEETHE

INTERNATIONAL CAPITAL MARKETS

Fall-out from Italy drags other markets down

By Martin Brice in London and Lisa Bransten in New York

Italian politics dominated European government bonds yesterday, with the fall-out from the breakdown in negotiations to form a government affecting many markets.

■ The Italian yield curve flattened slightly as investors moved longer after prime minister designate Antonio Maccanico abandoned his attempt to form a government, which means elections may be called. The yield on two-year paper rose 32 basis points and on 10-year bonds by 29 points, while on Liffe the March future settled down 2.26 at 110.08. The spread over 10-year bunds rose by 26 basis points to 439.

GOVERNMENT BONDS

Mr David Brown, chief European economist at Bear Stearns, said: "If we do see a 4 to 5-plus point sell-off in BTPs near-term, all it provides will be one massive buying opportunity back into Italian markets again. We still see the lira going into the ERM at some stage this year, which will set up the lira, Eurolira futures and BTPs as cracking good buys. Short-term, though, be extremely cautious as the sparks are really going to fly."

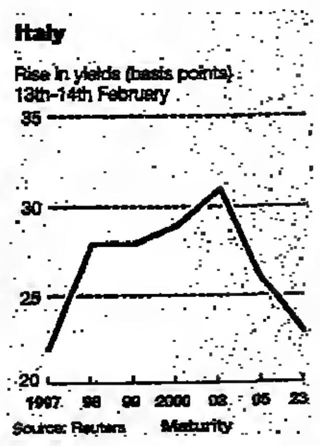
■ The fall-out from Italy was felt in the other high-yielding markets, and the spread of Swedish 10-year paper over bunds widened 3 basis points to 264, while Spanish 10-year bonds widened 7 basis points to 354 over bunds. Mr Ken Wattret, international economist at HSBC Markets, said Spanish bonds had outperformed Italian BTPs, with the spread between the two widening from about 50 basis points last week to about 90.

Ms Phyllis Reed, European bond strategist at BZW, said: "Investors should buy on an Italian-inspired dip in the Spanish market."

■ German government bonds slipped in the morning and failed to recover with investors on the sidelines until after M3 money supply data next week. The yield on two-year paper rose 6 basis points and that on 10-year paper by 5 basis points, with the spread between the two maturities settling around 232 basis points. On Liffe the March 10-year bund future closed down 0.43 at 98.63. The yield spread of 10-year bunds over Treasuries widened 3 basis points to 46.

Mr Ken Wattret, international economist at HSBC Markets, said the market perception had been that Germany would cut interest rates aggressively, but the fixed-rate repo had been seen as a move to slow the pace of cuts. However, Ms Reed at BZW suggested the fixed-rate repo could signal a cut in the discount rate, since the gap between the two was currently 300 basis points while 275 was more usual.

■ French government bonds were hit by European weakness, and on Matif the March future fell 0.32 to 121.72 while March Pibor slipped 0.03 to 95.43. The yield on one-year paper rose 7 basis points, while on 10-year bonds it rose 5 points. The spread over bunds rose 2 basis points to 43.



■ Gilts slipped in a quiet market, despite an encouraging Bank of England inflation report. The March future on Liffe fell ⅛ to 108¾ while the spread over 10-year bunds widened 3 basis points to 167. Labour market data showed a larger than expected fall in unemployment, and Mr Simon Briscoe, economist at Nikko, said: "The chancellor [Mr Kenneth Clarke] is either right or lucky. Events continue to frustrate those in the markets who have not supported his judgment."

In the inflation report, the Bank changed its view to say inflation would probably be under 2.5 per cent in two years but that there was "no room for significant" interest rate cuts.

Nevertheless, this opened the way to some interest rate cuts, perhaps two of 25 basis points each, said Mr Andrew Roberts, gilt analyst at UBS. He expects the curve to flatten as longer yields fall and added: "This is a wonderful Valentine present for Mr Clarke."

■ US Treasury prices slipped in quiet trading early yesterday as traders took some profits after three sessions marked by sharp gains.

Near midday, the benchmark 30-year Treasury was off ⅛ at 99⅛ to yield 6.045 per cent, while at the short end of the maturity spectrum the two-year note was 1/32 lower at 100⅛ to yield 4.796 per cent.

No important data were released yesterday but traders were eyeing today's figures on December durable goods orders and manufacturers' orders, for guidance about whether the Federal Reserve might cut interest rates again at the March meeting of its Open Market Committee.

Analysts forecast that durable goods orders to held steady at the end of last year while factory orders are expected to have posted modest declines.

Bonds felt some pressure from the commodity and foreign exchange markets. The dollar edged lower against the yen and the D-Mark in morning trading, changing hands for Y106.70 and DM1.4676 compared with Y106.76 and DM1.4730 late on Tuesday.

Commodity prices were modestly higher, in part because of a rise in oil prices. Oil prices gained as cold weather across mnch of the US sent heating oil prices higher.

Merrill Lynch to allow DKB to use counterparty unit

By Maggie Urry in New York

Merrill Lynch is to allow Dai-Ichi Kangyo Bank to use its triple-A rated derivatives counterparty subsidiary, in an innovative move likely to be followed by others in the industry.

Under the agreement, DKB's financial products group (DKBFP) will be able to offer Merrill Lynch Derivative Products (MLDP) as a counterparty on swaps it arranges for clients.

Merrill was the first company to set up a triple-A rated vehicle to intermediate in swaps in 1991. There are now around a dozen such companies, and DKB had considered forming its own. The subsidiary absorbs the credit risk of the swap, taking a fee from the parent which originates the swap.

Many of the largest eurobond issuers, such as sovereigns and multinational agencies, require triple-A swap counterparties. However, in order to maintain a triple-A rating, these vehicles require substantial equity capital. Merrill initially put $300m into its vehicle, which has since grown as the subsidiary retains profits. Most others have been set up with at least $150m.

Mr Richard Robb, executive vice-president at DKBFP, said that when DKB looked at setting up a special vehicle of its own, it became apparent that the amount of capital required would make it expensive to the parent's balance sheet.

The industry as a whole has put more than $1bn of equity into these companies, industry experts estimate, which is considered excessive for the amount of risk being absorbed, and thus a waste of banks' capital.

Mr Conrad Voldstad, president and chief executive of MLDP, said the attraction of the deal with DKB was that MLDP had a large amount of excess capital. "We wanted to see if we could use it more efficiently by putting more volume through it."

Mr Minoru Chiba, president of DKBFP, said: "Co-operation with Merrill Lynch enables us to use DKB's balance sheet more effectively and to bring our customers the most widely accepted triple-A vehicle."

Merrill and DKB do not have a significant overlap between their clients. Most of MLDP's clients are either European or issuers in the euromarkets. Under the arrangement, the identity of the two banks' clients and the terms of their swaps will remain confidential within MLDP. DKB will not commit capital to the Merrill offshoot at this stage, and Merrill retains the right to make similar deals with other banks.

Good demand for Ontario offer

By Conner Middelmann

The 10-year dollar bond sector yesterday struggled to absorb the recent wave of global bonds – $1bn for Finland and $1.5bn for the Province of Ontario – which was reflected by the performance of these deals. Both issues' yield spreads over Treasuries widened slightly as a result, with Ontario's premium moving to 49 basis points from 48 at launch and Finland's widening to between 37 and 38 basis points from a 36 launch spread.

Lead managers of Ontario's issue, Goldman Sachs and Salomon Brothers, reported good demand, especially in the US, and according to one official, "the deal is in good shape".

But others complained that the deal had been brought to the market too quickly, leaving insufficient time to pre-market it. Moreover, the yield spread – the same as the current spread on Ontario's last global – was seen as tight.

"It didn't give investors much incentive to switch out of the old issue – 50 basis points would have been a lot better," said one dealer.

INTERNATIONAL BONDS

A syndicate official at Morgan Stanley, bookrunner of Finland's offering, defended the spread widening, arguing that it had weakened in line with the rest of the 10-year dollar sector in anticipation of Ontario's issue.

Not to be deterred by these developments, the IADB announced plans for a $1bn global bond "in the near future", with Merrill Lynch and SBC Warburg acting as joint lead managers.

Elsewhere, Merrill Lynch issued a £100m long five-year offering targeted mainly at UK institutions and offering a hefty yield spread of 57 basis points over gilts.

In the D-Mark sector, the Kingdom of Sweden issued DM500m of 12-year bonds targetted at European institutions, via Salomon Brothers, while Bayerische Vereinsbank issued DM500m of six-year bonds via Bayerische Vereinsbank and SBC Warburg.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Province of Ontario	1.5bn	8.00#	99.495R	Feb.2006	0.35R	+48(5⅞%-06)	Goldman/Salomon Brothers
HFC, Series 1995-A(a)‡	402	(a1)	99.84R	Mar.2003	0.20R	-	Goldman Sachs International
Banco BCH Barclays	50	9.00#	99.871R	Feb.1999	1.00R	+415(5⅝%-99)	Barclays de Zoete Wedd
D-MARKS							
Kingdom of Sweden	500	6.50	99.431R	Mar.2008	0.35R	+45(6%-06)	Salomon Brothers Intl
BayerVB Overseas Finance	500	5.50	99.30R	Mar.2002	0.275R	+25(8¾%-01)	BayerVB/SBC Warburg
YEN							
Morgan Stanley Group♦	10bn	1.28	100.15	Feb.1998	0.15	-	Morgan Stanley & Co Intl
STERLING							
Merrill Lynch & Co(a)	100	7.375	97.966R	Dec.2001	0.275R	+57(7%-01)	Merrill Lynch International
LUXEMBOURG FRANCS							
PPA Finance Co(a)	2bn	5.875	102.55	Dec.2001	1.875	-	Crédit Européen-BBL
ITALIAN LIRE							
World Bank(b)	100bn	8.375	100.90	Mar.1999	1.25	-	Credito Italiano
ECUS							
Bayerische Hypobank(c)	45	(c1)	101.375	Mar.2005	2.00	-	Kredietbank Intl Group
PESETAS							
DSL Finance(d)	10bn	9.00	101.025	Feb.2003	1.625	-	JP Morgan
DANISH KRONER							
Norddeutsche Landesbank(e)	425	4.495	99.90	Sep.1997	none	-	Samwa International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Hemispheres Funding Corp. Callable on any coupon date at par. a1) Priced later at discounted margin of 3-mth Libor +30-31bp. b) L200bn launched 31/1/96 was increased to L300bn. Callable on 5/3/97 at par. c) Ecu65m launched 8/2/96 was increased to Ecu100m. c1) 6% to 18/3/99, then 7% to 18/3/02 & 8% thereafter. d) Fungible with Pts10bn. Plus 28 days accrued. a) Short 1st coupon.

Filipino bond issues planned

By Edward Luce in Manila

The Philippines' National Power Corporation, which will be privatised at the end of this year, is to issue US$300m of debt on the international markets in May.

The debt, to be split into two offerings – a $100m bond to be issued in New York and a $200m dragon bond on the Asian markets – will have a maturity of between 10 and 15 years.

NPC has placed three overseas bond issnes totalling $400m since the Philippines returned to the international debt markets in 1993.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	113.8920	+0.440	7.99	8.13	8.11
Austria		6.125	02/06	98.0400	-0.150	6.40	6.75	6.31
Belgium		7.000	05/06	102.8000	-0.310	6.61	6.51	5.63
Canada *		8.750	12/05	112.3100	-0.490	8.99	7.06	7.09
Denmark		6.000	03/06	104.9000	-0.220	7.29	7.26	7.15
France	BTAN	7.000	10/00	105.6250	-0.250	5.59	5.47	5.73
	OAT	7.250	03/06	104.9200	-0.460	6.57	6.50	6.64
Germany Bund		6.000	01/06	98.9400	-0.480	6.14	6.05	6.01
Ireland		8.000	08/06	103.2000	-0.350	7.53	7.45	7.39
Italy		10.500	09/05	101.7000	-1.230	10.22†	10.01	10.44
Japan	No 129	6.400	03/00	117.0380	-0.170	1.90	1.85	1.78
	No 174	4.600	09/04	111.0670	-0.120	2.98	2.94	3.02
Netherlands		6.000	01/06	98.7400	-0.460	6.17	5.09	5.98
Portugal		11.875	02/05	114.1000	-0.060	8.48	8.45	9.67
Spain		10.150	01/06	102.8700	-0.780	8.67	8.65	9.60
Sweden		8.000	02/05	83.1630	-0.480	8.79	8.79	8.28
UK Gilts		8.000	12/00	104-07	-8/32	6.94	6.92	6.92
		7.500	12/06	98-20	-17/32	7.69	7.64	7.50
		6.000	10/08	108-30	-26/32	7.87	7.78	7.68
US Treasury *		5.625	02/06	100-08	-8/32	5.60	5.68	5.68
		6.000	02/26	98-10	-16/32	6.05	6.14	6.05
ECU (French Govt)		7.500	04/05	103.6900	-0.320	6.94	6.91	6.69

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	4.77	Two year	4.83
Prime rate	8¼	Two month	4.81	Three year	4.91
Broker loan rate	7	Three month	4.94	Five year	5.16
Fed.funds	5¼	Six month	4.86	10-year	5.62
Fed.funds at intervention	-	One year	4.80	30-year	6.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.76	121.72	-0.32	121.78	121.42	131,274	145,868
Jun	121.88	121.86	-0.32	121.94	121.64	4,364	19,531
Sep	120.64	120.68	-0.28	120.66	120.46	266	2,267

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
120	1.74	-	-	0.11	0.87	1.77
121	0.92	1.96	-	0.24	1.15	-
122	0.38	1.40	1.42	0.71	1.63	2.68
123	0.09	0.95	-	-	2.18	-
124	-	0.62	-	-	-	-

Est. vol. total, Calls 10,735 Puts 17,957. Previous day's open int., Calls 199,605 Puts 203,969.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.96	98.62	-0.44	99.00	98.54	187107	245874
Jun	98.00	97.74	-0.45	98.00	97.70	5284	20344

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9850	0.42	0.42	0.64	0.82	0.30	1.18	1.40	1.58
9900	0.18	0.26	0.48	0.63	0.56	1.52	1.72	1.89
9950	0.06	0.15	0.32	0.47	0.94	1.91	2.08	2.23

Est. vol. total, Calls 28643 Puts 18642. Previous day's open int., Calls 306536 Puts 236938

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.50	110.00	-2.26	111.00	109.80	73534	81778
Jun	110.30	109.56	-2.23	110.48	109.60	1430	6513

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11000	0.73	2.10	0.70	2.52
11050	0.50	1.86	0.97	2.78
11100	0.33	1.63	1.30	3.05

Est. vol. total, Calls 4862 Puts 6544. Previous day's open int., Calls 92866 Puts 86080

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.21	95.89	-0.73	96.32	95.81	86,285	48,052
Jun	95.70	95.45	-0.41	95.70	95.70	152	1,051

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109-06	108-27	-0-18	109-08	108-25	52812	132966
Jun	108-15	108-04	-0-18	108-15	108-08	540	3373

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
108	1-02	1-08	1-35	1-55	0-12	1-00	1-27	1-47
109	0-26	0-42	1-04	1-24	0-36	1-34	1-60	2-18
110	0-07	0-22	0-45	0-63	1-17	2-14	2-37	2-55

Est. vol. total, Calls 4724 Puts 2516. Previous day's open int., Calls 44824 Puts 34727

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.76	90.78	-0.28	90.80	90.52	1,807	8,341

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-24	120-08	-0-15	120-24	120-08	299,411	331,912
Jun	120-06	119-31	-0-06	120-06	119-24	4,227	50,970
Sep	119-09	119-07	-0-13	119-13	119-07	10	6,523

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	120.06	-	-	120.08	119.91	3335	0
Jun	118.56	-	-	118.58	118.43	1724	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Feb 14	Day's change %	Thu Feb 13	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.34	-0.07	123.43	2.52	0.77
2 5-15 years (21)	149.88	-0.36	150.42	3.35	0.00
3 Over 15 years (8)	164.27	-0.57	165.20	3.17	1.02
4 Irredeemables (6)	188.02	-0.68	189.27	3.04	0.00
5 All stocks (57)	144.46	-0.30	144.89	3.05	0.47

	Low coupon yield Feb 14	Feb 13	Yr. ago	Medium coupon yield Feb 14	Feb 13	Yr. ago	High coupon yield Feb 14	Feb 13	Yr. ago
5 yrs	7.03	6.97	8.57	7.07	7.01	8.60	7.15	7.10	6.76
15 yrs	7.91	7.84	8.50	7.93	7.86	8.81	8.03	7.96	8.82
20 yrs	8.02	7.96	6.47	8.01	7.95	6.51	8.11	6.05	6.73
Irred.†	8.09	8.03	8.56						

Index-linked	Wed Feb 14	Day's change %	Thu Feb 13	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	197.86	-0.07	198.00	2.89	0.00
7 Over 5 years (11)	187.12	-0.29	188.00	0.83	0.83
8 All stocks (12)	187.23	-0.29	188.09	0.87	0.82

	Inflation 5% Feb 14	Feb 13	Yr. ago	Inflation 10% Feb 14	Feb 13	Yr. ago
Up to 5 yrs	2.70	2.66	3.66	1.53	1.48	2.24
Over 5 yrs	3.66	3.63	3.86	3.47	3.44	3.88

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8	Yr ago	High*	Low*
Govt. Secs. (UK)	94.33	94.66	94.59	94.48	94.62	91.07	96.34	90.22
Fixed Interest	113.06	113.05	112.80	112.88	112.98	109.61	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7
Gilt Edged bargains	96.4	106.8	98.1	98.9	88.3
5-day average	97.8	97.7	99.7	98.4	95.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	103¼	103½	-⅛	5.93
ABN Amro Bank 7¼ 05	1000	107½	107¾	-⅛	6.27
African Dev Bk 7⅝ 23	500	106⅝	107⅛		6.83
[illegible]					
Sweden 8 97	2500	106¼	106⅞	-⅛	3.88
United Kingdom 7¼ 97	5500	105½	105½		3.72
Volkswagen Intl Fin 7 03	1000	104	104	+¼	6.29
World Bank 0 15	2000	29⅞	30¼	+⅛	8.26
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅜	100⅝	-⅛	7.92
Alliance Leics 11⅛ 97 £	103	105⅝	106	-⅛	6.43
British Land 8⅞ 23 £	150	91½	91¾	-½	10.02
Denmark 6¾ 98 £	500	100¼	100¼	-⅛	6.87
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
[illegible]						

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]						

CURRENCIES AND MONEY

MARKETS REPORT

Lira wobbles as stable government proves elusive

By Philip Gawith

The Italian lira was the focus of currency market attention yesterday following the failure of attempts to form a new government under Mr Antonio Maccanico.

The lira fell sharply overnight on Tuesday, slipping to around L1,177 against the D-Mark from its London close of L1,161, but then traded steadily yesterday in Europe despite heavy selling in the Italian bond market. It finished at L1,075.

The fall in the lira made for a firmer D-Mark across the board. Against the franc it finished at FFr3.446 from FFr3.444.

The dollar held up reasonably well, bolstered in part by the expectation that the Bundesbank council meeting today will leave German interest rates substantially unchanged. The dollar finished at DM1.4692 from DM1.4782, and at Y106.805 from Y106.965.

Sterling also stood up well to the firmer D-Mark, and the release today of the much awaited Scott report, which promises to embarrass the government. It was also helped by better than expected unemployment figures. The pound closed at DM2.2603 from DM2.2666 and at $1.5385 from $1.5334.

■ The sharp move in the lira was little surprise given that the market was considered to be "long" the lira. A favourite trade in recent months has been to go short the Japanese yen, and long high-yielding currencies, such as the lira.

Partly this was justified on yield differentials, but the trade was also normally implemented in the expectation that the (high-yielding) currency would appreciate.

The correction also needs to be seen in the context of the rally over the past three months which saw the lira appreciate from around L1,160 against the D-Mark to L1,058.

Given the hammering delivered to Italian bonds, some observers believe the lira got off lightly yesterday. Mr Paul Meggyesi, currency economist at Deutsche Morgan Grenfell in London, said: "The currency market is perhaps a little too sanguine. It seems to be saying that fundamentals will continue to improve whether Italy has a government or not."

But Mr Meggyesi said that no government meant no mini-budget, making the hoped for decline in interest rates, and a firmer lira, less likely. "If early elections are called the lira will get closer to L1,100 than generally expected."

■ The trend in recent weeks for yield differentials to move in Germany's favour has been cited as a key reason for the dollar's inability to rally further against the D-Mark.

At first blush, this is curious, since German inflation is below US inflation, and inflation expectations should be similarly subdued, given the weak state of the German economy. According to Mr Michael Burke, currency economist at Citibank in London, the answer probably lies in the very different fiscal positions of the two countries. He notes that whereas the US deficit has been falling in recent years, the German deficit has been rising since unification.

Explaining why the dollar rally may remain sluggish, he said: "It is difficult to see how that situation can be turned around. Budget deficit trajectories are set for some time now." If this logic is correct, then a US budget deal, if anything, will only exacerbate the dollar's plight, at least in the short term.

Those with longer memories point back to the mid-Eighties when Reaganomics caused rising US indebtedness, higher real interest rates, and a sharp dollar rally. In the longer run, though, it can be argued that these same factors are what later undermined the dollar.

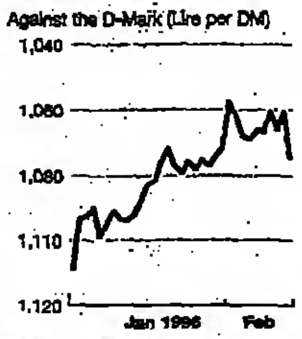
Dollar bulls will be hoping that what is currently being experienced is the reverse: that fiscal virtue, even if bad for the currency in the short term, will ultimately underpin a more durable rally.

■ The good performance of sterling despite the proximity of the Scott report is being attributed in part to familiarity. "The pound has had a long time to get used to the political problems the government is facing on all fronts," said Mr Meggyesi of DMG.

Mr Burke said sterling had "benefited from strong unemployment data and the narrowing of the perceived policy gap between Clarke and George. There is a feeling that if rates fall, it will be economically appropriate rather than political compulsion."

Lira

Against the D-Mark (Lire per DM)



Source: FT Extel

■ **Pound in New York**

Feb 14	Latest	Prev. close
£ spot	1.5380	1.5370
1 mth	1.5366	1.5358
3 mth	1.5345	1.5335
1 yr	1.5217	1.5212

■ **OTHER CURRENCIES**

Feb 14	£	$
Czech Rp	41.3876 - 41.4272	26.9100 - 26.9220
Hungary	217.473 - 217.677	141.400 - 141.450
Iran	4616.70 - 4614.00	3000.00 - 3000.00
Kuwait	0.4597 - 0.4604	0.2989 - 0.2992
Poland	3.9088 - 3.9134	2.5415 - 2.5430
Russia	7329.78 - 7330.11	4763.00 - 4766.00
U.A.E.	5.6480 - 5.6518	3.6723 - 3.6725

POUND SPOT FORWARD AGAINST THE POUND

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8946	-0.0441	868 - 024	15.9389	15.8804	15.8645	2.3	15.7821	2.8	-	-	106.4
Belgium	(BFr)	46.4866	-0.1234	599 - 133	46.7320	46.4598	46.3768	2.8	46.1516	2.9	45.2516	2.7	108.6
Denmark	(DKr)	8.7469	-0.0219	420 - 517	8.7631	8.7420	8.7342	1.7	8.7087	1.7	8.6087	1.9	109.6
Finland	(FM)	7.0647	+0.0093	568 - 725	7.1060	7.0420	7.0603	0.7	7.0522	0.7	-	-	84.1
France	(FFr)	7.7896	-0.0147	861 - 930	7.8049	7.7845	7.7777	1.8	7.756	1.7	7.87	1.5	109.3
Germany	(DM)	2.2603	-0.0063	592 - 613	2.2661	2.2589	2.2546	2.9	2.2443	2.8	2.202	2.9	110.9
Greece	(Dr)	372.920	-0.601	734 - 106	374.846	372.403	-	-	-	-	-	-	68.1
Ireland	(I£)	0.9734	-0.0008	725 - 742	0.9750	0.9725	0.9724	1.2	0.9706	1.1	0.9654	0.8	97.9
Italy	(L)	2429.29	+25.3	850 - 008	2437.37	2425.34	2437.04	-3.8	2451.64	-3.7	2508.14	-3.3	72.8
Luxembourg	(LFr)	46.4866	-0.1234	599 - 133	46.7320	46.4598	46.3768	2.8	46.1516	2.8	45.2516	2.7	108.6
Netherlands	(Fl)	2.5306	-0.0079	291 - 321	2.5416	2.5281	2.5246	2.9	2.511	3.1	2.4696	2.8	106.7
Norway	(NKr)	9.8824	-0.0146	737 - 910	9.9298	9.8641	9.8757	0.8	9.8616	0.8	9.8023	0.8	99.3
Portugal	(Es)	234.975	-0.508	837 - 113	236.621	234.837	235.4	-2.2	236.305	-2.3	-	-	95.4
Spain	(Pta)	190.369	-0.359	266 - 391	190.795	190.266	190.844	-2.9	191.684	-2.7	194.889	-2.4	82.3
Sweden	(SKr)	10.7024	+0.0328	925 - 123	10.7508	10.6532	10.7042	-0.2	10.7075	-0.2	10.7181	-0.1	84.7
Switzerland	(SFr)	1.8451	-0.0042	441 - 461	1.8501	1.8428	1.8383	4.4	1.8253	4.3	1.7752	3.8	113.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.2
Ecu		1.2320	-0.0011	314 - 326	1.2339	1.2305	1.2306	1.4	1.2274	1.5	1.2145	1.4	-
SDR†		1.049000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5282	+0.005	377 - 387	1.5407	1.5366	-	-	-	-	-	-	-
Brazil	(R$)	1.5066	+0.0061	063 - 095	1.5102	1.5059	-	-	-	-	-	-	-
Canada	(C$)	2.1195	+0.0162	184 - 205	2.1205	2.1115	2.1179	0.9	2.1148	0.9	2.1033	0.6	83.4
Mexico	(New Peso)	11.5776	-0.0226	704 - 848	11.6225	11.5703	-	-	-	-	-	-	-
USA	($)	1.5385	+0.0051	380 - 389	1.5410	1.5370	1.5373	1.0	1.5351	0.9	1.5225	1.0	95.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0335	-0.0022	322 - 348	2.0422	2.0317	2.0354	-1.1	2.0384	-1.2	2.0583	-1.2	86.7
Hong Kong	(HK$)	11.8969	+0.0403	926 - 011	11.9166	11.8659	11.889	0.8	11.8756	0.7	11.8242	0.6	-
India	(Rs)	55.1458	+0.1837	909 - 006	55.3383	55.0810	-	-	-	-	-	-	-
Israel	(Shk)	4.7880	+0.0178	829 - 931	4.7931	4.7752	-	-	-	-	-	-	-
Japan	(Y)	164.314	+0.294	228 - 401	164.610	164.000	163.594	5.5	162.049	5.5	155.914	5.1	136.1
Malaysia	(M$)	3.9115	+0.0067	095 - 134	3.9195	3.9095	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2790	+0.0014	775 - 805	2.2862	2.2775	2.2826	-1.9	2.29	-1.9	2.3196	-1.9	106.2
Philippines	(Peso)	40.2536	+0.1245	187 - 884	40.2884	40.2187	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7700	+0.019	680 - 720	5.7792	5.7645	-	-	-	-	-	-	-
Singapore	(S$)	2.1753	+0.0044	743 - 763	2.1785	2.1735	-	-	-	-	-	-	-
South Africa	(R)	5.6095	+0.0158	057 - 113	5.6174	5.6039	-	-	-	-	-	-	-
South Korea	(Won)	1197.61	+3.01	718 - 803	1199.51	1196.55	-	-	-	-	-	-	-
Taiwan	(T$)	42.2397	+0.1133	258 - 536	42.3082	42.2014	-	-	-	-	-	-	-
Thailand	(Bt)	38.8767	+0.12	499 - 034	38.9380	38.8450	-	-	-	-	-	-	-

† Rates for Feb 13 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.3318	-0.0628	295 - 336	10.3560	10.3240	10.3156	1.9	10.2816	1.9	10.1616	1.6	106.1
Belgium	(BFr)	30.2165	-0.18	080 - 250	30.3830	30.2070	30.1665	2.0	30.0665	2.0	29.7215	1.6	108.0
Denmark	(DKr)	5.6855	-0.033	840 - 870	5.6975	5.6802	5.6813	0.9	5.673	0.9	5.693	-0.1	109.5
Finland	(FM)	4.5921	-0.011	883 - 958	4.6160	4.5749	4.5876	1.2	4.5791	1.1	4.5626	0.6	83.4
France	(FFr)	5.0633	-0.0262	625 - 640	5.0693	5.0596	5.0591	1.0	5.0518	0.9	5.0338	0.6	109.6
Germany	(DM)	1.4692	-0.009	689 - 694	1.4735	1.4681	1.4669	1.9	1.4622	1.9	1.4464	1.9	109.9
Greece	(Dr)	242.400	-1.19	350 - 450	243.470	241.930	243.925	-7.5	247.025	-7.6	261.7	-8.0	65.5
Ireland	(I£)	1.5806	+0.0065	797 - 815	1.5826	1.5785	1.5811	-0.3	1.5815	-0.2	1.5745	0.4	-
Italy	(L)	1579.05	+11.3	900 - 910	1584.35	1577.87	1585.4	-4.8	1598.15	-4.8	1648.05	-4.4	73.4
Luxembourg	(LFr)	30.2165	-0.18	080 - 250	30.3830	30.2070	30.1645	2.1	30.0765	1.9	29.7715	1.5	108.0
Netherlands	(Fl)	1.6448	-0.0105	444 - 454	1.6522	1.6437	1.6419	2.2	1.6354	2.3	1.6132	1.9	107.9
Norway	(NKr)	6.4236	-0.0337	196 - 273	6.4540	6.4094	6.4214	0.4	6.4131	0.7	6.3961	0.4	98.2
Portugal	(Es)	152.735	-0.835	690 - 780	153.570	152.570	153.11	-2.9	153.88	-3.0	157.485	-3.1	95.3
Spain	(Pta)	123.760	-0.64	710 - 810	123.830	123.710	124.155	-3.8	124.89	-3.7	128.28	-3.7	61.8
Sweden	(SKr)	6.9566	-0.0015	522 - 610	6.9807	6.9226	6.9737	-2.9	7.0031	-2.7	7.1406	-2.6	84.5
Switzerland	(SFr)	1.1993	-0.0067	990 - 996	1.2023	1.1974	1.1957	3.6	1.1888	3.5	1.165	2.9	112.9
UK	(£)	1.5385	+0.0051	380 - 390	1.5410	1.5370	1.5372	1.0	1.5351	0.9	1.5225	1.0	83.7
Ecu		1.2486	+0.0052	480 - 490	1.2511	1.2475	1.2481	-0.3	1.2484	-0.2	1.2501	-0.1	-
SDR†		0.68520	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9808	+0.0007	807 - 809	0.9809	0.9803	-	-	-	-	-	-	-
Canada	(C$)	1.3777	+0.006	774 - 779	1.3781	1.3730	1.3779	-0.1	1.378	-0.1	1.383	-0.4	83.0
Mexico	(New Peso)	7.5256	-0.0585	230 - 280	7.5280	7.5230	7.5278	-0.4	7.5309	-0.3	7.5358	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	87.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3217	-0.0058	214 - 222	1.3222	1.3214	1.3237	-1.8	1.3272	-1.7	1.3459	-1.8	89.6
Hong Kong	(HK$)	7.7330	+0.0005	325 - 335	7.7335	7.7325	7.7337	-0.1	7.7355	-0.1	7.7625	-0.4	-
India	(Rs)	35.4550	-0.24	700 - 200	36.7300	36.4700	36.645	-4.9	36.85	-5.0	38.42	-5.3	-
Israel	(Shk)	3.1122	-0.0013	098 - 146	3.1146	3.1045	-	-	-	-	-	-	-
Japan	(Y)	106.805	-0.18	780 - 830	106.900	106.670	106.57	4.9	105.57	4.6	102.5	4.0	136.6
Malaysia	(M$)	2.5425	-0.004	420 - 430	2.5453	2.5420	2.5434	-0.4	2.5495	-1.1	2.573	-1.2	-
New Zealand	(NZ$)	1.4813	-0.0039	806 - 819	1.4829	1.4808	1.4844	-2.5	1.4902	-2.4	1.5148	-2.3	-
Philippines	(Peso)	26.1650	-0.005	500 - 800	26.1800	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4140	-0.0017	137 - 142	1.4147	1.4130	1.4104	3.0	1.4044	2.7	1.379	2.5	-
South Africa	(R)	3.6456	-0.0017	448 - 465	3.6463	3.6448	3.6744	-9.5	3.7268	-9.8	3.9491	-8.3	-
South Korea	(Won)	778.450	-0.6	400 - 500	779.000	778.300	781.45	-4.6	784.95	-3.3	803.45	-3.2	-
Taiwan	(T$)	27.4580	-0.0185	550 - 570	27.4770	27.4550	27.478	-0.9	27.516	-0.8	-	-	-
Thailand	(Bt)	25.2700	-0.005	600 - 800	25.2800	25.2600	25.3687	-4.7	25.5725	-4.8	26.455	-4.7	-

† SDR rate per $ for Feb 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 13: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 1/2	3 1/4	3 3/8	3 3/8	3 3/8	7.00	3.00	-
week ago	3 3/8	3 1/4	3¼	3¼	3 11/32	7.00	3.00	-
France	4 1/2	4 11/32	4 3/8	4½	4 3/8	3.80	-	5.60
week ago	4 1/4	4 11/32	4 5/32	4 7/16	4 3/8	4.05	-	5.80
Germany	3¾	3⅝	3 5/8	3 3/8	3 1/4	5.00	3.00	3.30
week ago	3 1/4	3⅝	3¾	3¾	3 5/8	5.00	3.00	3.30
Ireland	5 1/4	5 1/4	5 1/8	5 3/8	5 3/8	-	-	9.25
week ago	4 3/4	5 1/4	5	5 1/4	5¼	-	-	6.25
Italy	10 1/4	10 1/4	9¾	9 13/16	9 3/8	-	8.00	9.72
week ago	9 7/8	10 1/4	9 11/16	9 13/16	9 1/2	-	9.00	8.72
Netherlands	3⅛	3 1/4	3 1/4	3 1/4	3⅛	-	3.00	3.30
week ago	3⅛	3 1/4	3 1/4	3 1/4	3 3/8	-	3.00	3.30
Switzerland	1	1½	1⅝	1⅝	1 5/8	5.00	1.50	-
week ago	1	1½	1⅝	1¾	1 5/8	5.00	1.50	-
US	5⅜	5¼	5 1/4	5 1/4	4 7/8	-	5.00	-
week ago	5 1/2	5¼	5¼	3 1/2	5 1/4	-	5.00	-
Japan	½	½	1/2	1/2	½	-	0.50	-
week ago	½	½	1/2	1/2	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 1/4	5¼	5⅛	5	-	-	-
week ago	-	5 1/4	5 1/4	5 1/8	5 1/8	-	-	-
US Dollar CDs	-	5.09	4.96	4.85	4.72	-	-	-
week ago	-	5.09	5.03	4.95	4.82	-	-	-
ECU Linked Ds	-	4 7/8	4⅝	4 1/2	4 3/8	-	-	-
week ago	-	4 7/8	4 3/4	4 5/8	4 1/2	-	-	-
SDR Linked Ds	-	3 5/8	3 3/8	3 3/8	3 3/8	-	-	-
week ago	-	3 5/8	3 1/2	3 1/2	3 3/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/8 - 2 1/4	3 3/8 - 3 1/4	3 11/32 - 3 7/32	3 11/32 - 3 7/32	3 11/32 - 3 7/32	3 11/32 - 3 1/4
Danish Krone	4 7/8 - 4 1/2	4 1/2 - 4 3/8	4 13/32 - 4 7/32	4 15/32 - 4 1/4	4 5/8 - 4 3/8	4 5/8 - 4 13/32
D-Mark	5 5/8 - 3 3/8	3 7/16 - 3 5/16	3 7/16 - 3 5/16	3 11/32 - 3 7/32	3 3/8 - 3 1/4	3 11/32 - 3 7/32
Dutch Guilder	3 3/16 - 3 1/16	3 3/16 - 3 1/16	3 1/8 - 3 1/32	3 - 2 15/16	3 1/32 - 2 15/16	3 3/32 - 3 1/32
French Franc	4 3/8 - 4 1/8	4 1/4 - 4 3/32	4 5/16 - 4 3/16	4 13/32 - 4 1/4	4 7/16 - 4 9/32	4 5/8 - 4 15/32
Portuguese Esc.	8 3/8 - 7 3/8	8 3/8 - 8 1/8	8 1/16 - 7 15/16	8 1/16 - 7 15/16	8 1/16 - 7 15/16	8 5/32 - 7 31/32
Spanish Peseta	9 3/32 - 8 31/32	9 3/32 - 8 31/32	8 31/32 - 8 27/32	8 3/4 - 8 5/8	8 5/8 - 8 1/2	8 11/16 - 8 15/32
Sterling	6 3/8 - 6 1/4	6 3/8 - 6 1/4	6 3/8 - 6 1/4	6 3/16 - 6 1/16	6 3/32 - 6 1/32	6 1/8 - 6
Swiss Franc	1 3/8 - 1 1/8	1 7/16 - 1 5/16	1 5/8 - 1 1/2	1 11/16 - 1 9/16	1 3/4 - 1 5/8	2 - 1 7/8
Can. Dollar	5 1/2 - 5 5/16	5 1/4 - 5 1/16	5 1/16 - 4 15/16	5 - 4 7/8	5 - 4 7/8	5 - 4 7/8
US Dollar	5 3/8 - 5 1/4	5 5/16 - 5 3/16	5 1/4 - 5 1/8	5 3/16 - 5 1/16	5 1/16 - 4 15/16	4 15/16 - 4 3/4
Italian Lira	10 3/8 - 9 5/8	9 31/32 - 9 23/32	9 23/32 - 9 21/32	9 5/8 - 9 7/16	9 3/8 - 9 1/4	9 7/32 - 9 3/32
Yen	1/2 - 7/16	1/2 - 7/16	9/16 - 7/16	9/16 - 7/16	19/32 - 15/32	19/32 - 15/32
Asian $Sing	1 1/8 - 1	1 1/16 - 15/16	1 15/16 - 1 13/16	2 5/16 - 2 3/16	2 3/8 - 2 1/4	2 3/4 - 2 5/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.46	95.43	-0.08	95.48	95.38	42,975	50,523
Jun	95.61	95.59	-0.05	95.62	95.53	17,841	58,708
Sep	95.61	95.62	-0.03	95.63	95.57	8,157	47,714

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.76	96.73	-0.04	96.76	96.72	25311	176263
Jun	96.82	96.79	-0.04	96.82	96.78	34819	163935
Sep	96.71	96.68	-0.04	96.71	96.66	17897	170893
Dec	96.46	96.43	-0.07	96.48	96.42	21893	151625

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.38	90.16	-0.41	90.45	90.12	16189	41927
Jun	90.90	90.74	-0.43	90.99	90.69	13556	31594
Sep	91.20	91.06	-0.40	91.24	91.02	2674	19201
Dec	91.26	91.13	-0.36	91.29	91.06	975	11510

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.25	98.23	-0.03	98.25	98.19	3077	22279
Jun	98.08	98.09	-	98.11	98.04	4092	22676
Sep	97.88	97.90	+0.02	97.92	97.84	1866	12679
Dec	97.80	97.83	+0.03	97.84	97.55	1349	8391

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.40	95.41	-0.05	95.42	95.38	1309	8687
Jun	95.56	95.56	-0.05	95.57	95.53	767	4536
Sep	95.53	95.54	-0.05	95.55	95.52	402	2790
Dec	95.35	95.37	-0.05	95.36	95.34	30	3079

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9000	0.34	0.91	1.33	0.18	0.17	0.27
9025	0.17	0.73	1.14	0.26	0.24	0.33
9050	0.09	0.56	0.98	0.43	0.32	0.42

Est. vol. total, Calls 1855 Puts 805. Previous day's open int., Calls 22092 Puts 17688

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.82	16.76	4.862	2.093	5226	5.445	21.26	505.4	409.9	23.02	3.969	2.151	4.559	3.309	353.5	2.651
Denmark	(DKr)	53.14	10	8.905	2.584	1.112	2777	2.894	11.30	268.5	217.7	12.23	2.109	1.143	2.423	1.758	187.9	1.408
France	(FFr)	59.67	11.23	10	2.902	1.249	3119	3.249	12.69	301.9	244.4	13.74	2.369	1.284	2.721	1.975	210.9	1.582
Germany	(DM)	20.57	3.870	3.446	1	0.431	1075	1.120	4.373	103.9	84.25	4.735	0.816	0.442	0.938	0.681	72.70	0.545
Ireland	(I£)	47.77	6.990	6.005	2.323	1	2496	2.601	10.16	241.4	195.7	11.00	1.896	1.028	2.178	1.581	168.9	1.266
Italy	(L)	1.914	0.360	0.321	0.093	0.040	100.	0.104	0.407	9.671	7.839	0.441	0.076	0.041	0.087	0.063	6.764	0.051
Netherlands	(Fl)	18.36	3.456	3.077	0.893	0.384	959.7	1	3.904	92.91	75.23	4.228	0.729	0.395	0.837	0.608	64.92	0.487
Norway	(NKr)	47.04	6.651	7.882	2.287	0.985	2458	2.561	10	237.7	192.7	10.83	1.867	1.012	2.144	1.556	166.3	1.247
Portugal	(Es)	19.79	3.724	3.319	0.962	0.414	1034	1.077	4.207	100.	81.06	4.555	0.785	0.426	0.902	0.655	69.94	0.524
Spain	(Pta)	24.41	4.594	4.091	1.187	0.511	1276	1.329	5.190	123.4	100.	5.620	0.969	0.525	1.113	0.808	86.29	0.647
Sweden	(SKr)	43.44	6.175	7.279	2.112	0.909	2270	2.365	9.236	219.5	177.9	10	1.724	0.935	1.980	1.437	153.6	1.151
Switzerland	(SFr)	25.19	4.741	4.222	1.225	0.527	1317	1.372	5.356	127.3	103.2	5.799	1	0.542	1.149	0.834	89.05	0.668
UK	(£)	46.48	8.747	7.789	2.260	0.973	2429	2.531	9.882	234.9	190.4	10.70	1.845	1	2.119	1.538	164.3	1.232
Canada	(C$)	21.93	4.129	8.976	1.067	0.459	1146	1.194	4.664	110.9	89.86	5.050	0.871	0.472	1	0.726	77.54	0.581
US	($)	30.22	5.687	5.064	1.469	0.633	1579	1.646	6.425	152.7	123.8	6.957	1.200	0.650	1.378	1	106.8	0.801
Japan	(Y)	28.29	5.324	4.741	1.378	0.592	1478	1.540	6.015	143.0	115.9	6.512	1.123	0.609	1.290	0.936	100.	0.750
Ecu		37.73	7.100	6.322	1.834	0.790	1972	2.054	8.021	190.7	154.5	8.685	1.498	0.812	1.720	1.248	133.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6799	0.6813	+0.0019	0.6823	0.6798	14,279	73,708
Jun	0.6850	0.6846	+0.0018	0.6852	0.6846	293	3,845
Sep	-	0.6870	+0.0019	0.6870	-	48	1,410

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8336	0.8359	+0.0027	0.8376	0.8336	8,641	42,234
Jun	0.8401	0.8437	+0.0036	0.8442	0.8401	28	1,827
Sep	-	0.8496	+0.0057	0.8496	-	5	191

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9413	0.9409	+0.0006	0.9419	0.9397	7,824	74,713
Jun	0.9515	0.9511	+0.0002	0.9519	0.9511	773	5,802
Sep	-	0.9605	-	-	-	4	736

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5368	1.5384	+0.0036	1.5396	1.5364	7,786	43,462
Jun	1.5330	1.5350	+0.0034	1.5360	1.5330	4,124	6,337
Sep	-	1.5310	+0.0030	1.5310	-	3	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 7/16 - 5	6 3/8 - 6 7/32	6 5/16 - 6 3/16	6 1/8 - 6 1/16	6 1/8 - 5 31/32	6 1/8 - 6
Sterling CDs	-	-	6 3/16 - 6 1/4	6 3/32 - 6 1/32	6 3/32 - 5 31/32	6 1/32 - 5 31/32
Treasury Bills	-	-	6 1/8 - 6 1/16	6 1/16 - 6	-	-
Bank Bills	-	-	6 1/8 - 6 3/32	6 1/16 - 6	5 31/32 - 5 27/32	-
Local authority deps.	6 3/8 - 6 1/4	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 3/16 - 6 1/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16
Discount Market deps	6 3/8 - 5 3/4	6 3/8 - 6 1/4	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 3½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.0094pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.87	93.87	-0.01	93.88	93.85	12835	78060
Jun	94.18	94.17	-0.03	94.19	94.14	19565	92016
Sep	94.19	94.16	-0.03	94.18	94.12	6979	62970
Dec	93.98	93.95	-0.04	93.98	93.91	5613	48477
Mar	93.68	93.66	-0.04	93.68	93.63	2417	32487

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.15	0.47	0.56	0.03	0.06	0.15
9400	0.03	0.28	0.39	0.16	0.11	0.23
9425	0	0.14	0.26	0.38	0.22	0.35

Est. vol. total, Calls 9731 Puts 2168. Previous day's open int., Calls 146899 Puts 148966

EMS EUROPEAN CURRENCY UNIT RATES

Feb 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.041	-0.05	-2.12	4.79	15
Netherlands	2.15214	2.11412	-0.00309	-1.77	4.41	13
Belgium	39.3960	38.8351	-0.05	-1.42	4.05	10
Austria	13.4383	13.2778	-0.0193	-1.19	3.81	9
Germany	1.91007	1.88811	-0.00289	-1.15	3.76	11
Portugal	195.792	196.302	-0.138	0.26	2.30	-2
Denmark	7.28580	7.30576	-0.0095	0.27	2.29	-2
France	6.40608	6.50914	+0.00406	1.61	0.94	-14
Ireland	0.792214	0.812539	-0.001252	2.57	0.00	-17
NON ERM MEMBERS						
Greece	292.387	311.696	+0.167	6.43	-3.63	-
Italy	2106.15	2032.79	+21.52	-3.48	6.27	-
UK	0.786652	0.834960	-0.000685	6.14	-3.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.490	4.52	-	4.77	0.01	0.14	0.45
1.500	3.52	3.62	3.96	0.01	0.23	0.66
1.510	2.52	2.76	3.23	0.01	0.40	0.92
1.520	1.53	2.08	2.56	0.04	0.66	1.25
1.530	0.72	1.44	2.03	0.19	1.02	1.60
1.540	0.13	0.94	1.54	0.75	1.53	2.11

Previous day's vol., Calls 10,367 Puts 14,426. Prev. day's open int., Calls 187,857 Puts 222,341

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.84	94.83	-0.01	94.84	94.82	45,976	384,499
Jun	95.23	95.20	-0.03	95.23	95.20	62,078	439,479
Sep	95.41	95.38	-0.02	95.41	95.37	64,058	326,872

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.35	95.34	-	95.35	95.34	214	9,710
Jun	95.66	95.65	-0.02	95.66	95.65	119	7,652
Sep	-	95.84	+0.02	-	-	29	933

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9650	0.23	0.24	0.31	0.34	0	0.01	0.02	0.05
9675	0.01	0.04	0.12	0.18	0.03	0.06	0.06	0.12
9700	0	0.01	0.03	0.06	0.27	0.28	0.24	0.27

Est. vol. total, Calls 13155 Puts 4207. Previous day's open int., Calls 321710 Puts 288070

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9800	0.29	0.26	0.28	0.05	0.17	0.36
9825	0.12	0.13	0.15	0.14	0.28	0.50
9850	0.02	0.05	0.08	0.29	0.46	0.68

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9955 Puts 4272

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Crédit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		520xd	–3	566	478½	5,382	5.7	16.8
Bulmer (HP)		554xd	—	558	398	282.5	2.8	17.4
Burn St Dist.		120	+½	146	99	21.2	5.2	25.8
Grand Met		448xd	—	467	361	9,351	4.2	19.3
Guinness		453½	–3	595	404	9,197	3.9	14.1
Highland		335	—	400	315	446.2	2.9	15.2
Kirin Y		776	–1½	805	621	8,168	0.6	30.4
Macallan-Glen		180	—	217	157	187.9	1.0	36.5
Macdon Martin A		643	—	690	600	80.1	2.1	18.1
Matthew Clark		663xd	–2	694	540	584.5	4.1	–
Merrydown		121	–½	140	66	11.7	2.3	–
Seagram S		£23¼	–¼	£25	£16	6,525	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Santogs 8pc Cm 3rd Pf		50¼	—	98	50¼	6.31	19.8	–
Cater Allen		477	–2	525	418	159.5	7.9	7.8
Close Bros		356	–1	370	227	434.7	3.1	15.8
Gerrard & Nat.		436	–7	472	395	212.8	8.5	14.1
Hambros		203	+1	233	169	358.9	4.8	–
7½pc Cv Pf		101	—	187½	94	130.1	9.3	–
Joseph (L)		450	–3	493	353	23.9	5.2	15.5
King & Shaxson		159	—	160	85	42.6	7.1	12.4
Rea Brothers		60	—	67	44	29.8	2.1	24.6

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Bayer sees record but misses targets

Mr Manfred Schneider, chairman of Bayer, surprised the market revealing that the German chemicals group had "just failed" to reach its aim of a 5 per cent rise in sales last year and that it would fall short of its target of a 10 per cent profit margin. But Bayer was on course to beat its previous record for pre-tax profits, of DM4.1bn, set in 1989. Page 16

Huhtamaki in talks to sell drugs division

Huhtamaki, the troubled Finnish consumer products group, said it was in talks to sell its Leiras pharmaceuticals division. Mr Timo Peltola (left), Huhtamaki chief executive, said: "We think Leiras' potential will be best realised as a specialised unit within a major international pharmaceutical company." Analysts tipped Pharmacia & Upjohn, the newly merged Swedish-American pharmaceuticals group, as a likely buyer. Page 16

European share markets have hot January
Turnover at the top twelve European bourses jumped last month to a record £300.2bn ($453bn), up 45.2 per cent from the previous month and by 53.3 per cent from January 1995. Page 17

Compaq to attack Sun's Internet lead
Compaq Computer, the US supplier of PCs, is to challenge Sun Microsystems' dominance of the market for Internet servers – the large-scale machines used to publish material on the World Wide Web and handle Internet traffic. Page 18

NYSE crows over defection from Nasdaq
The rivalry between the New York Stock Exchange and the Nasdaq automated over-the-counter market intensified when the NYSE trumpeted a decision by Bay Networks, a provider of computer networking products and services, to switch its share listing to the Big Board. Bay has a market value of more than $8.5bn. Page 18

South China Morning Post bids for TVE
South China Morning Post Holdings, publisher of Hong Kong's leading English-language daily newspaper, launched a HK$1.15bn (US$148m) bid for TVE, the property and media group in which Mr Robert Kuok, SCMP chairman, already holds a significant stake. Page 19

BP raises payout as it hits record
British Petroleum lifted fourth-quarter dividend by 6 per cent as it reported a 36 per cent rise in profits to a record £2.01bn ($3.1bn). Page 20

Surprise as Barrick trims its hedge
Barrick Gold of Canada earned an additional $69.4m in revenue last year from its astute hedging programme. No wonder rivals were startled when Barrick revealed it had cut its hedge position by one third, from 9m ounces, or about three years' production, to 6m ounces. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	945.5	+	10.5
BMW	821	+	10
GEHE	803	+	10.5
Hochtief	695	+	19
Holzmann	808	+	10
Falls			
Asko	765	–	10
NEW YORK ($)			
Rises			
Consol Stores	24¼	+	1⅞
El Paso Natl	35⅝	+	2⅝
Sensormatic	20⅝	+	2¼
Falls			
Hitachi	99⅝	–	2⅞
Micron Tech	37⅞	–	1⅞
SGS Thomson	36¾	–	1⅝
LONDON (Pence)			
Rises			
Cantab Pharm	500	+	30
Forward Grp	720	+	40
Superscape VR	539	+	75
Falls			
European Mtr	82	–	18
MAID	174	–	13
Tepnel Life	59	–	11
TORONTO (C$)			
Rises			
CFCF Inc	17	+	2¼
Lndsy Morden	7	+	1
Misty Mt Gold	6¼	+	1
Falls			
Republic Inds	39	–	2⅝
Softkey Swaps	27¾	–	1¼
Trl Metropl B	17½	–	2⅞

PARIS (FFr)			
Rises			
Accor	687	+	22
Ecco	953	+	19
Essilor Int	1189	+	56
SILIC	755	+	29
Falls			
Danone	775	–	13
Fonc Lyon	443	–	10.5
TOKYO (Yen)			
Rises			
Calsonic	799	+	11
Falls			
Daimaru Inc	776	–	24
Kureha Chem	523	–	17
Maruha Corp	360	–	32
Mori Seiki	2250	–	130
Tokyu Car	692	–	31
HONG KONG (HK$)			
Rises			
CDL Hotels	4.4	+	0.27
Founder HK	3.55	+	0.3
Noble Group	1.93	+	0.16
Falls			
Guoco Group	42.0	–	1.2
Hutchison	49.2	–	1.55
Lai Sun Intl	9.25	–	0.3
BANGKOK (Baht)			
Rises			
Hana Micro B	153.0	+	7.0
Jutdis Dev	82.0	+	7.0
Saha Pat	60.0	+	5.0
Falls			
Charun Ins	64.5	–	4.0
Siam Com Life	32.0	–	2.25
Thai Pack	23.5	–	2.5

New York and Toronto prices at 12.30pm.

Deutsche Babcock plans DM1.6bn sell-off

By Michael Lindemann in Oberhausen

A further 3,000 jobs will go in a restructuring programme which is expected to lift profits by DM200m in the next 18 months

Deutsche Babcock, the struggling German engineering group, yesterday announced plans to sell businesses with annual sales of DM1.6bn ($1.1bn) as part of an overhaul to improve profitability. In an unusual move for a German company, the group said it may make the disposals through "US-style auctions".

The company, which omitted to pay a dividend for the year to last September, also said it was in talks with Holzmann, Germany's biggest construction group, which may lead to it taking a stake in Deutsche Babcock.

Holzmann is fighting off a takeover bid from its smaller rival, Hochtief. Mr Heyo Schmiedeknecht, Deutsche Babcock's chief executive, said that as a counterstroke, Mr Lothar Mayer, Holzmann's chief executive, was planning to create a larger conglomerate modelled on Bechtel, the US group which specialises in construction, petrochemicals and power stations.

However, Mr Schmiedeknecht warned that Deutsche Babcock would not welcome a Holzmann bid for a majority stake in the company.

Few companies better illustrate the challenges facing the remains of the old-style German engineering industry – which prospered for decades by concentrating on labour-intensive manufacturing – than Deutsche Babcock.

Mr Schmiedeknecht said the company had failed to spot developments in a number of core activities such as compressors and valves used in deep-sea engineering. Following the rise of the D-Mark last year, and a wage deal and other changes which increased personnel costs by 11 per cent, these businesses would now have to be "got rid of".

He said activities worth about DM1bn in sales could be sold or brought into alliances with other companies, but it would be more difficult to find solutions for other businesses worth DM600m, which are also for sale.

Mr Schmiedeknecht said the restructuring programme would include focusing on core businesses such as energy and environmental technology, waste management, water technology, textile machines, mechanical drive technology and building technology. The restructuring was expected to boost profits by about DM200m over the next 18 months. About DM150 of this would come from disposals and a further DM50m from the expansion of the group's facility management unit.

The planned restructuring comes on the heels of an overhaul which has already cost DM450m over the last three years and seen the loss of 17,000 jobs. The proposed measures are expected to cost at least DM70m and bring the workforce down by a further 3,000 to 31,700.

Sales in the first four months of the current year were 5.3 per cent lower than during the same period last year but Mr Schmiedeknecht said Deutsche Babcock had a record level of orders on hand worth DM11.4bn. The company yesterday reported net profits of DM46m in 1994-5, down from DM68m on sales of DM8.3bn (DM8.2bn).

Shareholders may reap Reuters cash surplus windfall

By Geoff Dyer

Reuters Holdings, the UK financial information and news group, said yesterday it was examining ways to return part of its £850m ($1.3bn) cash surplus to shareholders.

The group disclosed the possibility of distributing cash, which could take the form of a share repurchase or special dividend, as it reported a 17 per cent rise in 1995 pre-tax profits to £599m ($910m). Both the increase in profits and rise in net cash were ahead of analysts forecasts, prompting the shares to rise 31p to 675p.

Mr Peter Job, chief executive, said: "We are investing about as fast as we can in the business, but we still have surplus cash." Spending on research and development had increased 21 per cent to £191m, he said.

The group would still consider small acquisitions with growth potential but preferred not to buy large mature businesses.

The news of a possible cash distribution was welcomed by analysts. Ms Lorna Tilbian, analyst at Panmure Gordon, said: "They are generating so much cash that they can spend heavily on development and still have some left over for shareholders."

Reuters refused to give details about the form of cash distribution but said it hoped to complete discussions with tax and legal authorities in the UK and the US by the end of the year.

The group pointed out that complex legal issues surrounded share buy-backs in the UK. In 1993, it repurchased £350m of shares through a tender offer, which allowed tax-exempt shareholders to receive a tax credit from the group's advance corporation tax (ACT).

However, the UK tax authorities have refused to give tax clearance to similar schemes. They argue that the system has been abused by some institutions which bought shares solely to sell them back to the company and collect the tax credit.

Other companies have repurchased shares through the market. However these exercises have been criticised because institutions benefit at the expense of private shareholders.

Mr Rob Rowley, finance director, has said that a share repurchase scheme similar to the group's previous one would now be "impractical". Shareholders were confused about whether they would qualify for a tax credit and might be reluctant to trade in the group's shares after a repurchase, he argued. He recommended that share buy-backs be subject to capital gains tax, rather than ACT, making the procedure more straightforward.

Reuters warned it might not achieve "double-digit" revenue growth this year due to the consolidation of the banking industry. It was confident earnings would increase by more than 10 per cent in 1996 because of demand for its transaction products. Revenues from Instinet, the equity trading system, had advanced 31 per cent to £243m and sales of Dealing 2000, the foreign exchange system, were up 25 per cent. Earnings per share were 19 per cent ahead at 25.8p (21.7p). The proposed final dividend is 7.5p (6.1p), making a total of 9.8p (8p), a 23 per cent increase.

Lex, Page 14

Investment group opens the way for smaller investors

Warren Buffett: A 'relnctant response' to the formation of trusts investing in Berkshire shares

Buffett relents on stock split

By Maggie Urry in New York

Mr Warren Buffett's Berkshire Hathaway investment group has put forward a plan which would make it easier for smaller investors to buy shares. The company has become famed for its success in stock-picking and its share price has risen beyond the reach of many investors.

Mr Buffett has for decades set his face against splitting the stock, whose price fell $200 yesterday to $31,700 a share. With trading set in a minimum lot of 10 shares, only richer investors have been able to become shareholders in the company.

He had now been forced into a "do-it-yourself" split, he said, as a "reluctant response" to the formation of trusts investing in Berkshire shares and then selling units to investors. One such trust, investing directly in Berkshire shares and in some of Berkshire's investments, had opened in January. The Securities and Exchange Commission had been notified that an investment company planned to launch another trust that it intended to invest only in Berkshire shares.

Mr Buffett said: "It is clear to me that the promoters of these trusts will aggressively market them and will cause small investors to incur costs – sales commissions, management fees and tax levies – that will do them damage."

Mr Buffett said yesterday shareholders would be asked to approve a second class of shares, to be called B-shares at the annual meeting in May. One existing A-share would become convertible into 30 B-shares. He said be expected the B-shares to trade in 10-share lots which would mean an investor with about $10,000 could bny a stake.

To assist in setting up a pool of B-shares, Berkshire will make a secondary offering of $100m-worth of them, the first time Berkshire has made a public offer of shares since Mr Buffett took control of the company – then an ailing textiles group – in 1965.

In a rare press conference, Mr Buffett said he wanted shareholders who were well informed abont the company and who he could view as long-term partners. "We have always felt that we wanted to attract people who looked at Berkshire as a permanent business investment."

He had opposed a stock split hecause it would "change perceptions to a small degree" and lead to a "more speculative, less-informed bunch of shareholders".

The issue of $100m B-shares could be increased if excessive speculative interest appeared for the offering. He said Berkshire had no need for the money.

Lex, Page 14

Chinese securities houses plan merger

By Tony Walker in Beijing

Two of Shangbai's most prominent securities companies plan to merge to create China's largest brokersge, as competition intensifies among Chinese and foreign institutions.

The boards of Shanghai Shenyin Securities and Shanghai Internstional Securities have agreed in principle to join forces and are expected to pnt tbe scheme to shareholders soon.

Analysts said the merger was in response to tougher competition from brokerages outside the city. Sbanghai is being developed as China's financial centre.

The merger would also belp overcome the heavy debt problems of Shanghai International Securities, which is believed to have lost more than Yn1bn ($120m) in a bond fatures trading scandal last February.

Regulators and the Shanghai government have been pushing Shanghai International Securities towards a merger, but withont success, partly because of the size of the company's debt hurden. They are believed to have promised preferential treatment for the newly-merged hrokerage to help compensate Shanghai Sbenyin Securities for agreeing to join with a tronbled partner.

The planned merger coincides with continuing difficulties in China's markets, fuelled by a credit squeeze, real estate slump, and dismal performances by many industrial companies.

Bnt hrokers in Shanghai expect China's markets to rebound later this year and say the B-shares (shares reserved for foreign investors) may already be showing signs of a lift.

Barry Riley

Wall Street's journey into the unknown

Wall Street might continue upward in 1996, the consensus conceded at the turn of the year, but at a slower pace. In fact, the bubble of US equities has been inflating even faster: the Dow Jones Average has zoomed through 5,600 this week and the rest of the world continnes to gasp in disbelief.

In 1¼ months, the FT/S&P Actuaries US Index bas added 7 per cent while the World Ex US Index has advanced, in terms of dollars, by only 1 per cent. These movements contradict the received new year wisdom thet US investors would tend to diversify much more vigorously into other, apparently cheaper, markets in 1996.

So the agony continues for the foreign institutions who are so short of US equities. British pension funds, for example, will have suffered another 200-odd basis points of underperformance against the World Ex UK Index in their overseas equity portfolios in just six weeks.

Will they be sucked back in? The latest monthly opinion poll from Merrill Lynch suggests that *some* are indeed cracking under the strain, because the UK managers are less nagative ahout Wall Street than they have been for a year. However, that still leaves a net balance of 11 per cent intending to *reduce* exposures further.

Dollar bonds have rallied in the *past few days*, but even so it is notable that the US equity upsurge has intensified this year even though bond yields have *risen*. We appear therefore to have moved into the stage of the market cycle where liquidity is still plentiful but bonds hegin to he restrained hy fears that accommodative monetary policy will stimulate faster economic growth and, eventually, more rapid inflation. Equities, though, continue to be bolstered hy attractive corporate prospects.

The historical evidence is that this parting of the ways can continue for a while – maybe as long as a year – until, eventually, the threat of rising short-term interest rates overwhelms the equity market bulls.

The bubble that is expanding promises a spectacular conclusion

In fact, there appears to be strong resistance on the part of domestic investors in the US to any decline in long bond yields below 6 per cent – and tha same applies in Germany. So far, the resistance levels established two years ago have held.

In equities, however, trend-chasing is the rule (opinion polls suggest that bullishness among US investors is rising as the market soars ever higher). Even so, the long bond/equity yield ratio has been rising sharply in recent weeks towards the 2.8 level which in the past (1987 spart) has represented an effective ceiling.

Liquidity is clearly huoyant. Equity mutual fund flows are remarkably strong, averaging $6bn a week gross, and have only suffered slight diversion into international funds. Then there are all those hedge funds feeding off ½ per cent yen loans. They have been active in gold bullion, but it would be surprising if they were not also punting in US equities, which represent the world's most buoyant financial asset class.

London managers argue that they must sit it out, just as they grimly endured being underweight in Tokyo when Japanese equities were on a seemingly unstoppable rise in the later 1980s.

From the beginning of 1990, however, their judgment paid off *and the global index-trackers bit* the dust as they chased Tokyo – to which they were almost 50 per cent exposed – down and down. Today, geographical risk is again being concentrated: a portfolio matching the World Ex UK Index has a 47½ per cent US weighting.

Frustrated value investors around the world have heen waiting impatiently for a Wall Street crash, and indeed the bubble that is expanding promises a spectacular conclusion. But a collapse – as distinct from a correction – does not seem to be imminent. Earnings per share, according to the consensus, could climb by another 10 per cent or more in 1996. Short-term interest rates are still on the way down, and are very unlikely to rise again before Novemher's presidential slection.

The main risks arise from the possibility of a further nervous steepening of the bond yield curve. There is also the theoretical chance of an acceleration of Japanese economic growth, which would put all the world's financial markets on red alert.

EUROPEAN NEWS DIGEST

Revamp for Bull product divisions

Groupe Bull, the French computer group, yesterday announced it was simplifying its product divisions and introducing new management to run them. Mr Jean-Marie Descarpentries (left), president of Bull, claimed that "the arrival of four new directors with a great diversity of experience acquired in key posts at [Bull's] principal competitors" would reinforce the group's top management, headed by himself and his number two, Mr Thierry Breton. Mr Descarpentries said that, after climbing back into profit last year for the first time for seven years, Bull would now try to achieve "internal growth at double the rate of the market" and seek to bring its profitability up to that of its competitors. He also indicated that 1996 might see "several strategic moves" either in terms of acquisitions or alliances, such as the one sealed last week in personal computers with Packard-Bell of the US and NEC of Japan.

The four new managers are Mr Robert Aydabirian, who joined Bull in December from Hewlett-Packard and who is to become the group director in charge of commercial development; Mr Khaled Marrei, an engineer with 23 years' experience with NCR and AT&T who is to take over the new Entreprise Information Systems division; Mr Jacques Reboul, who has quit as head of Siemens-Nixdorf France to take over as director of Bull France; and Mr Donald Zereski, who is leaving the presidency of Northcrest International of the US to take charge of the Bull America network. *David Buchan, Paris*

Heineken in Alsace buy

Heineken, the Dutch brewer, has acquired a controlling 54.4 per cent stake in France's Alsace-based Fischer Group, France's fourth largest brewer producing 1.7m hectolitres of beer a year. It had sales of FFr1.3bn ($256m) in 1994 and a staff of 950. Following the acquisition from family shareholders, the Dutch group, through its Sogebra unit, will make an offer to purchase shares held by the public. Fischer Group shares are traded on the over-the-counter market of the Nancy stock exchange. The same procedure will be used to purchase shares held by the public in Société Adelshoffen, a 72.6 per cent subsidiary of the Fischer Group which is also based in Alsace, Heineken said. Anal- ts say the offer values the company at FFr1.1bn. *AFX News, Amsterdam.*

EBRD sells Czech sugar stake

The European Bank for Reconstruction and Development has sold 80 per cent of its stake in TTD, a leading Czech sugar refiner, to ZAG, a German sugar producer. The sale reduces the EBRD stake from 32.9 per cent, which it acquired in 1993, to "close to 5 per cent," the bank said. TTD is majority-owned by Sucreries et Distilleries de l'Aisne of France, which acquired its stake when the company was privatised in 1992. The EBRD will retain a seat on TTD's supervisory board. Terms were not disclosed. *Vincent Boland, Prague*

Nomura to lead IPB issue

Inve-ment a Poštovní B. .ma, the third largest Czech commercial bank, yesterday appointed the investment bank Nomura International as lead manager for a proposed global depositary receipts issue, expected later this year. IPB said it expected the issue to be set at a minimum of $70m-$100m, but the exact amount will be decided at the end of May.

IPB will be the second Czech bank to issue GDRs, following a similar move last year by Komerční Banka. Česká Spořitelna, the big savings bank, is contemplating a similar arrangement, and has retained Bankers Trust. IPB's announcement coincides with plans being studied by the Czech National Bank, the central bank, for further privatisation of the banking sector, in which the state is still the largest shareholder. *Vincent Boland*

OMV sells Vietnam oil block

OMV Exploration, the oil and gas exploration unit of Austria's OMV, has sold a 10 per cent stake in an offshore Vietnamese oil block to Nafta Gbely of Slovakia. OMV started drilling the first of two wells in block 104 off the central coastal city of Vinh in December last year but had found no hydrocarbons, after spending $25m. OMV said it was evaluating the results from these wells and future exploration in the block would depend on these findings. The area received little attention from foreign oil companies until OMV signed an exploration contract with Vietnam's state oil agency in 1993. Most foreign companies are exploring for oil and gas in waters off Vietnam's southern coast. *Jeremy Grant, Hanoi*

SE-Banken plans to spin off property portfolio

By Hugh Carnegy in Stockholm

Skandinaviska Enskilda Banken, one of Sweden's leading banks, is proposing to spin off to its shareholders the huge property portfolio it took over as security against sour credits. The move will create Sweden's biggest property company.

The bank, the financial flagship of the Wallenberg industrial empire, said yesterday it planned to spin off the properties, with an estimated market value at the end of 1995 of SKr23bn ($3.3bn), by handing out shares in the company it had created to manage them, called Diligentia, in September.

SE-Banken also reported a return to profit in 1995, swinging to a SKr2.63bn operating surplus after heavy property write-offs drove it into losses of SKr701m in 1994.

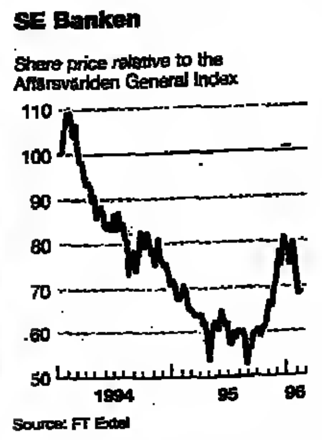
Diligentia, to be listed on the Stockholm bourse, will have almost half its portfolio sited outside the country, mainly in Belgium, Luxembourg, Germany and Portugal.

SE-Banken will capitalise Diligentia with SKr7bn of its own capital and SKr3bn in subordinated loans. Diligentia will also raise SKr13bn to SKr14bn in other loan capital, partly in the form of soft loans from SE-Banken.

The move, intended to be SE-Banken's final act of recovery from the loan loss crisis which crippled the banking system in the early 1990s, is widely expected to be copied by Svenska later this month. Handelsbanken has unwanted property holdings worth some SKr7bn.

The 1992 banking crisis was sparked principally by a recession-induced collapse in property values. Two banks, Nordbanken and Gota Bank, were forced into state ownership, and took the bulk of the SKr65bn paid out by taxpayers to keep the banking system afloat.

Björn Svedberg: the bank's strength has been restored



SE-Banken has run up accumulated loan losses of some SKr40bn as a result of the crisis. But Mr Björn Svedberg, chief executive, stressed yesterday that the bank's strength was now restored.

Its capital ratio rose to 15.2 per cent at the end of 1995 and would remain strong despite the big capital commitment required to launch Diligentia.

SE-Banken's return to profits was the result of a 57 per cent fall in the level of loan losses from SKr9.4bn in 1994 (including the special property write-off of SKr4.3bn) to SKr4bn.

The swing would have been even greater but for the inclusion in 1995 of unexpected losses of SKr2.7bn linked to Luxonen, a failed financial investment group.

SE-Banken's handling of the Luxonen losses was sharply criticised recently by the Stockholm bourse and the financial supervisory authorities.

Beyond the improving loan loss performance, however, SE-Banken's underlying operations in 1995 were weaker.

Net interest income was down 4 per cent, commission and fee income slipped 5 per cent, and other income tumbled more than 40 per cent to leave net income down 11 per cent from SKr17.2bn to SKr15.2bn.

The bank blamed rising competition, low lending volumes and narrowing interest rate margins – as well as lower capital gains – for the reverse.

The dividend was again set at SKr1.50 per share.

Den norske Bank warns of profits downturn

By Hugh Carnegy in Stockholm

Den norske Bank, Norway's biggest bank, warned yesterday that increased competition and higher taxes would lead to lower profitability in the coming years after "extraordinary" profit levels in 1994 and 1995.

State-controlled DnB, which last month won government approval for the takeover of Norway's second largest insurer, Vital Forsikring, announced a pre-tax surplus last year of NKr2.66bn ($413m), only marginally below the profit of NKr2.69bn reported in 1994.

A tax charge of just NKr6m, thanks to the carry-forward of previous tax losses, left net profits at the same level, giving the bank a return on equity of 22.5 per cent.

However, Mr Finn Hvistendahl, DnB's chief executive, said a combination of growing competition in the domestic market, which is eroding interest rate margins, higher tax charges and the end of a recent trend of gains from writing back provisions made earlier for loan losses would lead to lower profitability levels "in the next few years".

He said DnB was therefore taking steps to cut annual operating expenses by NKr600m, including NKr250m this year.

Total expenses rose in 1995 from NKr4.6bn to NKr4.9bn and a provision of NKr233m was included in the 1995 accounts to cover restructuring costs.

The bank, which resisted government demands for a dividend of 50 per cent of net profits last year, announced a total dividend of NKr961m, comprising an unchanged ordinary dividend of NKr1.25 per share and an extra 1995 dividend of NKr0.50 per share.

Mr Hvistendahl aaid he believed this would satisfy the government, which owns 72 per cent of DnB.

He added that a continued upturn in the oil-boosted Norwegian economy and the bank's ability to write back provisions previously made for loan losses lay behind the "extraordinarily good" results of the last two years.

In 1995, net interest income slipped from NKr4.7bn to NKr4.4bn as interest rate margins were squeezed. But DnB's strength in trading and fee earning activities enabled it to increase earnings from non-interest operating income from NKr2.4bn to NKr2.9bn.

Meanwhile, the bank had a net gain of NKr479m as write-backs outweighed new loan losses, underlying the recovery from the loan loss crisis of the early 1990s.

Bayer falls short of targets as D-Mark remains strong

By Jenny Luesby

Bayer, the German chemicals group, yesterday surprised the market by signalling it had not met its sales and profits targets for last year.

But of the "Big Three" German chemical groups, Bayer will still be the least affected by the recent downturn in demand for industrial chemicals and, latterly, speciality chemicals.

However, the group had "just failed" to reach its aim of a 5 per cent rise in sales last year, said Mr Manfred Schneider, chairman, and it would fall short of its target of a 10 per cent profit margin.

"Had it not been for the currency problems, 1995 would have surely been a boom year," he said. But the persistently strong D-Mark had cost the group between DM3.5bn and DM3bn ($1.7bn-$2bn) of sales and about DM500m of profits.

The group had, nonetheless, recorded margins of 9 per cent, and was on course to beat its previous record for pre-tax profits of DM4.1bn, set in 1989. Only the acrylic fibres division was due to report a loss for the year, said Mr Schneider.

However, the chrome-chemicals unit, which the group plans to relocate outside Germany, remained a weak spot, as did Agfa, the film business. Agfa was likely to report a return on sales of 3 per cent, he said, on turnover of DM6.5bn. The group did not consider this a satisfactory outcome, and its mid-term target remained a donbling of the margins at Agfa.

On the healthcare side, the group's two leading drugs – the cardiovascular Adalat, and anti-infective Ciprobay – bad each achieved sales of about DM1.8bn: this would have been DM2bn each had the D-Mark been weaker, said Mr Schneider. Meanwhile, Bayer Asplrin posted DM700m of sales.

Mr Schneider said the group was conducting talks with anotber company, but he would not give details. He added that Bayer was interested in co-operation, and possibly even s takeover.

Looking ahead, the group as a whole was now expecting a softening in growth rates, caused by the slowdown in Europe: "growth rates will be stronger in Asia and the US and more moderate in Europe," he said.

The search for new active substances at Bayer's Wuppertal unit

Huhtamaki in talks to sell drugs division

By Christopher Brown-Humes in Stockholm

Huhtamaki, the troubled Finnish consumer products group, said yesterday it was in talks to sell its Leiras pharmaceuticals division to an international drugs company.

Analysts tipped Pharmacia & Upjohn, the newly merged Swedish-American pharmaceuticals group, as a buyer and said the deal could be worth conld be wortb between FM1.5bn and FM2bn ($433m-$325m).

Huhtamaki said the sale would strengthen its balance sheet and add focus to its Leaf confectionery and Polarcup packaging businesses.

The group, under pressure from slumping profits and narrower margins, has already said it plans to sell its troubled US collectible cards business, Donruss, and slim its confectionery operations.

Leiras is strong internationally in contraception, bone metabolism, and ophthalmics. But, with 1995 operating profits of FM135m and sales of FM857m, it is small by international standards. Costs have risen owing to increased marketing and R&D spending.

Mr Timo Peltola, Huhtamaki chief executive, said rapid consolidation within the global pharmaceuticals industry had changed Leiras's operating environment, forcing companies to seek economies of scale. "We think Leiras's potential will be best realised as a specialised unit within a majnr international pharmaceutical company," he stated, adding that a solution was likely in the spring.

News of the planned sale was welcomed by the market, pushing Huhtamaki's I shares up FM3 to FM145.

Ms Elina Timonen, chief financial analyst with Merita Securities in Helsinki, said termination of a collabnration between Leiras and Schering AG of Germany had also made life harder for Leiras.

Huhtamaki's profits fell 29 per cent in 1995 to FM312m, but the group beld its dividend unchanged at FM4 per share.

Former P&G chief to revitalise pasta maker

By John Simkins in Milan

Mr Edwin Artzt, the former chief of US consumer products group Procter & Gamble who was head-bunted by Barilla, yesterday unveiled plans to revitalise Italy's largest pasta maker in the face of heavy discounting by competitors.

Barilla's new approach will incorporate the main element of the "everyday low pricing" strategy whicb Mr Artzt implemented at Procter & Gamble – the ending of special promotions in favour of cuts in prices across the board.

At the same time Mr Guido Barills, chairman, dismissed the possibility that Barilla might be taken over. "The company has never been for sale and is not for sale today," he said. He did not, bowever, rule out an eventual flotation on the Milan stock market.

The Parma-based company has one-third of Italy's pasta turnover, half of the country's market for ready-made sauces and about 40 per cent of bakery product sales, through its Pavesi and Mulino Bianco biscuit brands.

Barilla, which is 51 per cent owned by the Barilla family, saw net profits fall to L60bn ($36m) in 1995, against L111bn the previous year. Mr Artzt said 20 per cent of Italian families now bought food in discount stores.

"Barilla's image for good value has clearly suffered," he said. "Our objective is to restore that".

Mr Artzt said that 80 per cent of Barilla customers no longer took part in coupon and gift promotions, which increased prices overall by about 7 per cent.

"The consumer market has become promotions driven and in my experience promotions are an inefficient way of dealing with pricing problems," he said.

He added that under the new pricing strategy Barilla was able to cut the prices of its main products by an average 12 per cent. The move will be backed by an advertising campaign.

Barilla, which wants to expand abroad, has a strong presence in France and Germany and 53 per cent of the pasta market in the US, where it has a licensing agreement with Campbell Soup.

Mr Artzt joined tbe company last year as a part-time executive director at the invitation of tbe three Barilla brothers who have rotated the chairmanship between them since their father Pietro died in 1993.

مكتبة الأمل

INTERNATIONAL COMPANIES AND FINANCE

European equity markets soar to turnover record

By William Cochrane

Domestic investors poured money into European equity markets last month. Turnover at the top 12 bourses soared to a record £300.2bn ($453bn) – a rise of 45.2 per cent on the previous month and up by 53.3 per cent from January 1995.

Investment managers put new funds into equities, but they were encouraged to do so: share prices rose, with the FT/S & P Europe index np 4 per cent on the month; there were hopes of accelerating cuts in European official interest rates; and corporate earnings prospects were enhanced by e 4 per cent strengthening in the US dollar against the D-Mark.

International business was less hectic. There was e 26.6 per cent rise on the month in the volume in European stocks traded on London's Seaq International screen-based market. But at home, the dollar bronght herd currency markets like Germany, the Netherlands and Belgium into the limelight, with domestic turnover rises of 86 per cent, 60 per cent and 59 per cent, respectively.

Germany's gain followed a 12 per cent loss in equity business during 1995 when the weakness of the dollar against the D-Mark weighed heavily on the cyclical stocks which form the core of the German corporate economy, affecting their selling prices in export markets and the profit margins they could earn. Yesterday, there were reservations about Germany's January performance.

Mr James Cornish, European equity strategist et NetWest Securities, which produces the turnover figures, said that domestic interest in Germany tended to rise towards the end of a market upturn.

"The previous record level for German domestic volumes came in January 1994, a month during which the market peaked and then fell 7.8 per cent."

Last month, the Frankfurt Dax index peaked, rising 8.9 per cent. This month, e Dax fall of 1.2 per cent has accompanied an average daily fall of about 13 per cent in volume, according to Mr Cornish, who expected that bourses in general would show February business declines.

Other big business winners in Europe in January included Spain, with turnover up 50.9 per cent, and Italy and Switzerland, which registered gains of 50.7 per cent and 46.9 per cent, respectively. Mr Cornish said that Spain tended to follow, and often exaggerate, international trends.

But Italy showed a distinct contrast between domestic and international interest, with Seaq Italian volumes down 27 per cent on the month as Italian shares rose 5.1 per cent. Hopes of a solution to the country's political crisis were clearly higher et home than abroad.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Oct 1995	Nov 1995	Dec 1995	Jan 1996	US $bn
Belgium	86.46	80.04	76.49	121.73	3.98
Denmark	35.33	30.15	27.30	37.60	6.53
Finland	17.44	14.15	15.03	14.48	3.12
France	184.37	181.12	186.29	209.73	41.06
Germany	123.96	136.20	124.10	230.49	154.90
Italy	45,561	35,520	36,645	55,220	34.65
Netherlands	41.30	41.20	33.80	54.20	32.52
Norway	25.58	28.91	29.98	41.59	6.38
Spain	1,329.54	1,068.53	1,203.82	1,816.9	14.49
Sweden	136.20	111.20	109.80	136.00	19.59
Switzerland	35.57	38.24	35.70	47.30	39.10
UK	60.18	62.60	53.02	64.19	96.95

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

Targeting the nation's retirement nest-eggs

German investment fund companies are lobbying for change in the pensions system, says **Andrew Fisher**

German investment fund companies have long tried to interest risk-shy savers in equities to help increase their clients' long-term returns, bnt their arguments have often fallen on stony ground.

Yet as Garmans becoma more concerned about the value of their future pensions, fund companies see an opportunity. The pay-as-you-go state system – under which pensions are paid from contributions of those at work and not from invested funds – is coming under increasing strain, especially with unemployment reaching record levels.

"Governments in Germany and the rest of Europe can hardly provide full pension cover in future for their citizens," eeys Mr Christian Strenger, head of DWS, Germany's biggest investment fund group. "The population trend is leading to more pensioners and fewer workers."

DWS, owned by Dautsche Bank, and its rivals such as DIT (Deutscher Inveatment-Trust), e Dresdner Bank subeidiary, are therefore promoting the idea that individuals should set aside more of their savings for retirement and rely less on the state.

"We are keen to develop our fund business for retirement purposes," Mr Strenger says. "There should be more private provision. People will need the extra money after they have stopped working. The basic pension will still come from the stata and company schemes – but there should be a private element for more than just the icing on the cake."

What goes into the cake is the snbject of lobbying in Bonn. Through the German investment fund association (BVI), fund companies are pushing for schemes which would encourage people to seve on e tax-free basis for retirement over et least 25 years.

DWS and its competitors are not acting out of altruism. They eee big opportunities from pension fund business if the right incentives are created. In the US, for example, retirement plans play a large part in mutual fund business.

DIT has just launched e monthly savings programme for those wanting to set aside more for their old age. Its DIT-Vorsorgeplan (provision plan) combines equity and bonds investment, with the emphasis shifting gradually to the latter over 12 years.

Mr Rolf Passow, head of DIT, saye surveys show that two thirds of Germans are worried about their pensions. "The majority of Germans have already recognised the necessity of privete provision for retirement."


Frankfurt: set for a fillip if pensions policy is updated and the right incentives are created

For this reeeon, Mr Strenger wants investment funds to have the same fiscal treatment es building society and life assurance investments. "We want e level pleying field in long-term retirement planning." At present, government-supported savings schemes allow only people on low incomes to save an average DM8,200 ($5,569) over seven years. There is nothing akin to personal equity plans in the UK.

Yet this is what should be encouraged, believes Mr Strenger. "After retirement, people finally have the time to spend money, and they should be able to enjoy it. Individuals should put regular amounts over the long term into products offering a superior return, which mostly means equities."

Only about 5 per cent of German financial assets are in the form of shares. However, German equity funds have increeeed in populerity, although still accounting for only 17 per cent of the DM314bn invested in German and Luxembourg-based mutual funds, against 57 per cent in bond funds.

Mr Strenger thinks those wanting to supplement their pensions should put eway at least DM100 e month. Over the past 35 years, e monthly saving of slightly less than this would have produced DM200,000 if invested in equity funds. "It's easily affordable and provides e sizeable nest egg. The minimum time span for such savings should be 12 years."

With government finances under pressure, discussion of how to make the pension system more flexible has intensified. Deutsche Bank Research has said the government should stimulate corporete pension funds by giving them fairer tax treatment.

Legal and tax obstacles hinder pension fund development in Germany, where company schemes are mostly based on tax-deductible book reserves which are not invested outside the business.

If more corporate pension money went into the capital market – pension funds in Germany are equivalent to only 6 per cent of gross domestic product, against 57 per cent in the US – returns would be enhanced and equity awareness stimulated.

Mr Passow also argues in favour of pension funds based on equity investment. This would bring an "urgently needed boost" to the German financial scene.

The lobbying by investment fund managers and proponents of Anglo-Saxon typa pension funds has yet to prodnce results from Bonn politicians. But Mr Strenger speaks of a "fresh breeze" in the pensions dabate and the investment community hopes this will etimulate politiciane into action.

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Apple Computer cancels dividend

Apple Computer, the struggling US personal computer manufacturer, said yesterday it would not pay shareholder dividends in the current quarter and did not anticipate reinstating its regular payout "in the near future". Apple had been paying a quarterly dividend of 12 cents a share.

Earlier this month, the company announced it expected operating losses for the current quarter to be "significantly" greater than the $69m operating loss for the first fiscal quarter ended in December. It also plans to take restructuring charges, and charges to write down excess inventories in the current quarter. Despite the dividend announcement, made in a filing with the Securities and Exchange Commission, Apple's share price rose slightly yesterday to trade at $28⅝ in mid-session, up from Monday's close of $28⅜. *Louise Kehoe, San Francisco*

Brazilian funds in mining deal

A group of Brazilian pension funds has completed a $360m deal to form the country's second-biggest mining and metallurgy company, with projected profits in 1996 of $100m on turnover of $965m. The funds have acquired control of Paranapanema, one of the world's biggest producers and exporters of tin; Caraíba, a copper producer; Paraibuna, a zinc producer; and Eluma, a maker of copper, bronze and brass products.

Control of the new company is held by five pension funds led by Banco do Brasil's Previ. Steelmaker CSN has joined the funds with an undisclosed stake, believed to be about 8 per cent. Brazil's biggest mining company, government-controlled Companhia Vale do Rio Doce, is expected to take a 10.5 per cent stake following government approval. South African mining group Anglo American is considering taking a stake of about 8 per cent.

The company is provisionally known as the Brazilian Non-Ferrous Metals Company, or CBMNF. *Jonathan Wheatley, São Paulo*

PW and Sedgwick join forces

Price Waterhouse, one of the "Big Six" accountancy firms, is to form a joint venture with Sedgwick, the international broker, to offer "one-stop" risk management services to clients. The Risk Strategies Group has so far cost £500,000 ($326,606) to set up and will be based at Price Waterhouse's offices in London.

The long-term aim is to build a global risk management business, although initial marketing will be focused on Europe and the UK. A small core group will assess the needs of clients. All work will be fee-based and profits returned to the parent organisations on a pro rata basis.

Brokers and accountants have been in the forefront of attempts to break into comprehensive risk management – identifying possible costs to which companies may be unnecessarily exposed and making proposals for reducing those risks or insuring against them. The rapid increase in cross-border risks to which multinational companies are exposed, especially with the advance of technology in systems and trading, has created a potentially huge market. *Jim Kelly, Accountancy Correspondent*

Corimon shares suspended

Venezuela's National Securities Commission has suspended for 30 days trading of shares of Corimon, the paint and coatings group, because it appears unable to comply with its debt obligations. The commission said the group had also failed to provide financial information on its last order activities, as required by capital markets regulations.

Corimon's financial problems surfaced last month when it failed to make an interest payment to holders of eurobonds. It is currently negotiating with creditors to reschedule its US$151m debts, of which 80 per cent are due to mature within a year. *Raymond Colitt, Caracas*

Greyhound takes to the air

Greyhound Lines of Canada plans to use its extensive bus operation as a springboard for a new low-fare airline. The airline, to be known as Greyhound Air, will be operated by a British Columbia air charter company, which will add six Boeing 727s to its fleet. Services will initially focus on western Canada.

Greyhound Canada, which no longer has any direct links with the US bus operator of the same name, will handle marketing and sales. Bus stations will be used as reservation and check-in points. *Bernard Simon, Toronto*

Compaq adds Internet facility to servers

By Paul Taylor

Compaq Computer, the leading supplier of personal computers, is set to challenge Sun Microsystems' dominance of the market for Internet servers, which are used to publish material on the World Wide Web and handle Internet traffic.

Mr Eckhard Pfeiffer, president and chief executive, said yesterday that every Compaq server shipped would have Internet server capabilities. Speaking at the group's annual briefing in London, Mr Pfeiffer said Compaq planned to include Microsoft's recently announced Internet Information Server, Netscape's Commerce Server and Novell's NetWare Web Server with each server shipment.

He also confirmed that Compaq was looking closely at the possibility of producing a low-cost "network" computer which would allow simple access to the world of the Internet. However, he said multi-function PCs would continue to dominate and drive the Internet market, and expressed doubts about whether a specialised Internet PC could be produced for $500.

"This project needs very solid market definition. You can't just put hardware out there and expect to sell it," he said.

The Web server software, meanwhile, will enable Compaq's corporate customers to create and manage Web sites for both external Internet and internal Intranet applications.

The move marks an aggressive push by Compaq, which is already the largest supplier of general purpose servers built around Intel microprocessors. The Internet server market has been dominated until now by machines running on Risc chips.

Last year about 132,000 Internet servers were shipped, according to International Data Corporation figures. Of these, 119,000 were Risc-based machines. However, most industry analysts expect a substantial shift to Intel-based servers by the end of the decade.

By providing Internet server capabilities on all its server machines, Compaq believes it will be able to meet the needs of a wide range of customers.

At the same time, Compaq and Netscape Communications said they had agreed to a long-term strategic partnership designed to maximise compatibility between their products. Netscape said future Windows NT-based Netscape products would be designed and engineered to support Compaq SmartStart.

They said the partnership also included collaborative development and marketing activities.

Duratex profits rise by 10% to R$30.5m

By Jonathan Wheatley in São Paulo

Duratex, Brazil's biggest manufacturer of hardboard and bathroom accessories, reported net profits of R$30.5m (US$31.4m) for 1995, 10 per cent higher than in 1994 despite a slowdown in the economy during the second half of last year. Turnover was R$526.9m, up from R$521.8m in 1994.

The company's shares slipped 0.6 per cent in Sao Paulo, bucking a rise for the market index.

Mr David Wheeler, an analyst at Bear Stearns in Brazil, said the result was broadly in line with expectations but "slightly disappointing".

Operating profits were also helped by financial earnings, up from R$17m to R$23.7m. Mr Plinio do Amaral Pinheiro, Duratex's managing director, said the company had about R$50m cash in excess of liabilities.

Mr Pinheiro said the company expected turnover in 1996 to stay at "about the same level" as last year, although better-than-expected sales so far this year meant this estimate could be overtaken.

Turnover per employee increased from R$73,500 to R$79,400 – thanks partly to a restructuring programme begun in 1990 which had cut staff from 14,000 to less than 7,200.

Volume sales in the wood products division increased by 9 per cent over 1994, and in the bathroom accessories division by 15 per cent.

The company invested US$56.1m last year as part of a US$305m investment programme for 1995 to 1997. Projects include constructing a new factory to make medium density fibreboard and buying an Argentine company, Piazza Hermanos, a maker of metal bathroom fittings.

Duratex is preparing to manufacture bathroom furniture in Argentina at a new plant that is scheduled to produce 20,000 items a year from the end of this year.

The company is also planning to build a factory in Brazil which will produce an additional 50,000 items a year.

Exports in 1995 were worth US$71.9m, up by 10 per cent over 1994.

Mr Pinheiro said the strength of Brazil's Real currency against the US dollar led the company to look for ways to cut export costs, which included buying a warehouse in Baltimore to supply customers in the eastern US and Canada.

Building security against no-snow days

Ski resort operators are moving into property sales and management, writes Bernard Simon

It has been a winter to remember on North America's ski slopes. From British Columbia to Colorado, Vermont and Quebec, heavy snowfalls have produced near-perfect conditions. And when skiers are happy, so usually are the resort operators who provide their lift tickets, accommodation, meals, and equipment.

For the operators, however, the euphoria of the winter of 1996 is tempered by a sense that the thrill of a perfect downhill run is giving way to an uphill struggle for profits.

"You can't lose the passion; people have to have fun," says Mr Daniel Jarvis, chief financial officer of Intrawest, a Vancouver-based company that claims to be North America's biggest ski resort operator. But, Mr Jarvis adds, "at the back of the house, you have to manage very effectively. Our mission is to make our life much less dependent on weather conditions".

The drive to bring down costs and insulate resorts against the vagaries of the weather are changing the ski business. "It's a business where you need resources to grow," says Mr Joe Micheletto, head of resort operations at Ralcorp, the St Louis-based cereal company spun off two years ago by Ralston Purina which also has a stake in three Colorado resorts.

The number of ski areas in North America has shrunk from about 1,200 in the early 1980s to fewer than 500 now. Many small resorts, typically family-owned, are seeking a buyer or a partner with financial muscle and marketing skills. Intrawest has bought interests in three properties in the past two years. The latest deal, concluded last month, is a 33 per cent stake in Mammoth Mountain, a large resort in central California.

Resort operators still earn a large chunk of their profits on the slopes, selling lift tickets, food and equipment. But property development and management has become an important part of the ski business. For the operators, the most desirable visitors are what the trade calls "destination skiers" – travellers who spend a week or two at the resort, filling ski lifts on otherwise quiet days in the middle of the week, and spending money on accommodation, meals, lessons and equipment.

Resort operators are increasingly banking on these visitors to fill hotels, townhouses and condominiums in the valleys below the slopes. Marriott, the US hotel chain, and Canada's CP Hotels will manage two new hotels at Intrawest's Mont Tremblant resort in Quebec. Intrawest hopes the chains' resources and computerised global reservations systems will help keep the resort full throughout the week.

The company sees total property sales doubling in 1996 from last year's C$37m (US$27m). Ralcorp and Intrawest expect to sell 200 units a year at Keystone Valley, a joint venture in Colorado.

The operators benefit not only from selling townhouses and condos, but also by helping the new owners rent their properties to visitors. Typically, they charge a management fee equal to half the rent.

Mr Frank Mayer, analyst at James Capel Canada, has urged investors to buy Intrawest shares for "superior growth" over the next three to five years.

Intrawest's shares, trading at about C$14 on the Toronto Stock Exchange, are still well below Mr Mayer's one-year target of C$18. Mr Jarvis blames lingering concern over Intrawest's sizeable holdings of non-resort properties in British Columbia and Washington state. The company is disposing of most of these properties.

However, enthusiasm for the ski resort business is by no means universal. According to both Intrawest and Ralcorp, sellers far outnumber buyers.

One Toronto real estate financier says property sales and management fees will ensure healthy cash flows for the time being. But he cautions that the operators could be hit in the longer term if property buyers become disillusioned by high fees or the illiquidity of their investment.

Ralcorp says it is taking care not to repeat the mistakes of the 1980s property boom. It has a policy of not building in a new area until at least half the properties have been sold. Mr Micheletto says that prices at Keystone, which range from about US$260 a square foot for a townhouse to more than $300 for a condominium, are currently higher than expected. Properties in fashionable resorts, such as Vail and Aspen, change hands for as much as $1,000 a square foot.

A ski resort's biggest risk remains the weather. Explaining why Ralcorp has chosen to concentrate on its cereals business, Mr Micheletto notes that the weather "puts a risk in the cash flow that you typically don't find in a food company".

Operators are looking to ensure that resorts thrive even without the snow that has them smiling this year. Some have invested in snow-making equipment. They have also added non-ski activities, such as conference centres and golf courses, for summer visitors.

The aim is to complete a virtuous circle in which improved year-round facilities help attract property buyers, no matter what the weather.

Whistler resort, British Columbia: 'destination skiers' vital

Nasdaq defection seen as coup for NYSE

By Maggie Urry in New York

The rivalry between the New York Stock Exchange and the Nasdaq automated over-the-counter market intensified yesterday when the NYSE trumpeted a decision by Bay Networks to switch its share listing to the Big Board.

Bay, a provider of networking products and services, has a market value of more than $8.5bn and its move was seen as a coup for the NYSE.

Mr Andy Ludwick, president and chief executive of Bay, said: "Our objective is to reach the broadest possible base of investors, both domestically and internationally, and to provide them with the greatest possible liquidity. Our move to the NYSE will help us to achieve these goals."

Bay's decision may have been influenced by the fact that it is a large supplier of technology to the NYSE.

Mr Richard Grasso, chairman of the NYSE, said he was "thrilled" by Bay's move. He said Bay was joining "a prestigious list of high-technology companies whose shares enjoy the worldwide visibility and liquidity that only the NYSE's auction market can provide".

This was regarded as a criticism of the Nasdaq, which has a high proportion of well-known technology companies on its lists, including Microsoft, Intel and Apple Computer.

Nasdaq said it was sorry to see Bay leave, and it wished the company well. It said since Bay floated on Nasdaq in July 1991 with a market capitalisation of $312m, it had done "extraordinarily well" on the market.

The rivalry between the two exchanges stems in part from their different methods of trading shares, with each regarding their system as superior. On the NYSE, buy and sell orders meet through a single specialist, setting a price based on supply and demand. On the Nasdaq, market-makers compete with each other to offer the best price through a computer network. Bay's shares are quoted by 33 market-makers.

Nasdaq has been a thorn in the flesh of NYSE since its establishment 25 years ago. It has grown to be the second-largest stock market in the world, although its $1,200bn market capitalisation is still well below the NYSE's $6,000bn.

However, Nasdaq has come under scrutiny since a report published in early 1994 suggested its market-makers collude to set prices. Investigations by the Securities and Exchange Commission and the Justice Department have not yet been completed.

INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

TNT in talks over Ansett stake sale

TNT, the Australian transport group, said yesterday that it was talking to both Air New Zealand and Mr Rupert Murdoch's News Corporation about a possible restructuring of its plans to sell its 50 per cent interest in Ansett, the Australian airline, to Air NZ. The other 50 per cent of Ansett is owned by News.

TNT's initial plan was to sell its stake in two tranches for a total of A$425m (US$320.5m). But this scheme has run into problems with New Zealand's Commerce Commission, its antitrust watchdog, which is worried that competition in New Zealand's domestic airline market could be undermined. Ansett New Zealand and Air New Zealand are the two main carriers, and the commission has rejected Air NZ's plans to "ring-fence" Ansett New Zealand if it acquired a large stake in Ansett.

Yesterday, TNT said it had now been asked to consider a non-phased sale of its entire interest to Air NZ, but that details of price and the transaction's structure had not been agreed. *Nikki Tait, Sydney*

BHP lifts Tubemakers offer

Broken Hill Proprietary, the Australian resources group, yesterday lifted its bid for Tubemakers, the Sydney-based heavy engineering company – winning the support of its target.

BHP said it would now make a cash offer of A$4.10 for each Tubemakers shares, up from its original bid of A$4.05. Tubemakers' shareholders would also get a fully-franked dividend of 33 cents a share. The increased cash element of the bid values the target company at A$1.15bn (US$867m).

BHP already owns a 48.5 per cent interest in Tubemakers, and its bid was guaranteed to succeed from the outset, given that Japan's Sumitomo, which holds a 19.3 per cent interest in the engineering company, had said it would accept.

However, Tubemakers' independent directors had been pushing for better terms from BHP, claiming that the original offer undervalued the company and its prospects. Yesterday, they said that they were now recommending acceptance.

Tubemakers shares – suspended briefly before the announcement – closed 22 cents higher yesterday at A$4.42 in the wake of the higher offer. *Nikki Tait*

Strong advance for Giordano

Giordano, the Hong Kong based Asian fashion retailer, yesterday demonstrated its ability to buck the downturn in consumer spending by posting a 28 per cent increase in net profits, from HK$195.3m in 1994 to HK$250.2m (US$32.35m) in calender year 1995.

Growth last year, which was broadly in line with market expectations, was driven primarily by retail sales in China and manufacturing operations, the company said.

The results vindicate company denials that a series of disagreements between founder Mr Jimmy Lai and Beijing would harm operations in the mainland, and demonstrate the increasing importance of China to Hong Kong's retailers.

Sluggish retail conditions in markets such as Taiwan dampened overall growth. Reflecting the different retail environments, the group plans to further develop China, Korea and Thailand – which it believes will be among its top-ranking markets in the coming years. India and Indonesia will be covered in the near term.

Earnings per share rose 25.5 per cent, from 30.9 cents in 1994 to 38.8 cents last year. The directors are recommending a dividend of 9 cents a share, up from 7.5 cents last year. *Louise Lucas Hong Kong*

Mayne Nickless warns again

Mayne Nickless, the Australian transport, security and healthcare group, yesterday repeated a warning that profits for the first half of 1995-96 will be down on the same period a year ago. Mr Ian Webber, chairman, told shareholders at an extraordinary meeting yesterday that the group expected earnings before interest and tax to be "marginally" higher on "similar" revenues.

"The net profit, however, will be lower... primarily because of an increase in our interest expense," he said. "That stems from ceasing to capitalise interest on our Optus investment from April 1995."

Optus is Australia's second telecommunications carrier, and is owned by a mixture of Australian institutions and a number of foreign and domestic corporate investors, including Mayne and the UK's Cable and Wireless. *Nikki Tait*

Singapore Telecom drops Irish bid

Singapore Telecom said it had dropped its bid for a 30 per cent stake in Ireland's telecommunications operator Telecom Eireann. Singapore Telecom spokesman Mr Ivan Tan said the company would instead concentrate its European activities on Belgacom.

Singapore Telecom has a 28 per cent stake in a consortium which bought a 49.9 per cent stake in Belgacom. He said the company will decide on future investments on a case-by case basis. *AFX News, Singapore*

Leighton Holdings ahead

Leighton Holdings, the Australian construction group whose projects include the new permanent Sydney casino complex, yesterday posted a 28.4 per cent increase in after-tax profits in the six months to end-December, at A$27.1m (US$20.43m). Revenues were 16.2 per cent higher at A$1.09bn. *Nikki Tait*

South China Morning Post bids for TVE

By John Ridding in Hong Kong

South China Morning Post Holdings, publisher of Hong Kong's leading English-language daily, yesterday launched a HK$1.15bn (US$148m) bid for TVE, the property and media group in which Mr Robert Kuok, SCMP chairman, already holds a significant stake.

TVE, which was valued at HK$1.09bn when its shares were suspended on Monday, said it would consider the offer and that it intended to appoint independent financial advisers to assess the bid.

If successful, the two-for-one share swap offer would extend SCMP's interests into Chinese-language publishing through the acquisition of titles ranging from TV Week, the listings guide, to Amoeba, a youth magazine. Mr Kuok, the controlling shareholder in SCMP, is also thought to be attracted by TVE's property holdings.

But the investment community was divided on the merits of the bid. "It gives them a foothold in the Chinese-language press, but most of TVE's assets don't have obvious benefits for SCMP," said one madia analyst. "Everything will depend on what they get for the disposals which would seem certain to follow an acquisition."

Another industry analyst expressed dismay. "I don't see the logic in this. Mr Kuok will benefit, perhaps, because he will be paid for his shareholding in TVE, but I don't see many other benefits."

For some, the motive for the bid is to wind up TVE, which was formed in 1988 in a spin-off from TVB, the broadcasting group. Since then, the group has continued as an investment holding company, with little connection between many of its interests. These range from the leasing of kiosks on the metro to the production of TV commercials and travel services.

A more difficult retail environment has prompted a decline in the company's results. In the six months to the end of June last year, net profits were HK$33.2m, compared with HK$36.4m in the corresponding period. Earnings per share fell from 8.67 cents to 7.91 cents.

The shareholding structure is dominated by two groups. Shaw Brothers, which is controlled by Sir Run Run Shaw, holds just over 30 per cent of TVE's shares. Kerry group companies, which combine some of Mr Kuok's investment interests, hold a similar stake.

Shares in both groups remained suspended yesterday. TVE's shares had risen sharply on Monday, gaining 6 per cent to HK$2.60. Last week they advanced almost 20 per cent.

SCMP declined to comment on how it would finance a bid, although the disposal of its old headquarters has given it a strong net cash position. An exceptional gain of HK$181m on the sale helped raise net profits by 42 per cent to HK$426.8m in the six months to the end of last December.

How they match up

Share prices relative to the Hang Seng Index

Source: FT Extel

Reliance set to raise $260m for Gujarat refinery

By Shiraz Sidhva in New Delhi

Reliance Petroleum, a part of India's Reliance Industries textiles and petrochemicals conglomerate, said yesterday it would raise $260m from the international markets through equity and bond issues to part-finance its 15m-tonne refinery project at Jamnagar in Gujarat.

The company plans to float a $125m convertible bond by the end of March, a month before India'a general election. A $135m Global Depositary Receipt issua is expected by June. It will be the first Indian company to launch a euroissue for nearly six months.

Several potential euroissues, including some from public sector companies like Videsh Sanchar Nigam (VSNL), the government-owned international telecommunications company, the Steel Authority of India and the Indian Oil Corporation, have been postponed in the last year, waiting for market conditions to improve.

Last year, only three Indian companies – Indian Hotels, Himachal Futuriatic, and Ashok Leyland – raised money on the GDR market, and analysts had predicted the market would remain subdued until after the election.

Analysts say Reliance's decision could spur at least three other companies to launch euroissues in the first half of 1996. These include BSES (Bombay Suburban Electric Supply) Limited, which has received government approval to launch a $125m euroissue; Global Telesystems; and Indo Rama Synthetics, a textiles company. Experts say Reliance's decision to launch before the elections is bold.

"There has been a good demand in the market, which was down 40 per cent at one stage [in September 1994]," says Mr Pravin Shah, executive director of Morgan Stanley India securities. "The market has averaged an increase of more than 20 per cent in the last few weeks, and companies are bound to react positively to this."

Mr Surinder Kathpalia, an equity capital markets analyst at James Capel and Company, said: "The surge in the stock market over the last two weeks because of strong support from foreign institutional investors, a liquidity crunch in the domestic markets and a limited supply of GDR paper has left companies with few options bnt to tap the international markets."

But most analysts agree the current stock market rise is not sustainable in the run-up to elections. "Fund managers are going to wait and watch the political outcome before they commit themselves," one investment banker said.

Other bankers said Reliance's decision could only boost the market. "Reliance will raise money from long-term investors in the European and London markets, who are convinced political uncertainty will not derail India's reforms, and who are looking at the long-term prospects of investing in a particular industry," one Bombay-based investment analyst said.

"India's place in the world economy is being increasingly recognised, and it is just waiting in the wings to begin attracting serious money."

Akbank profits surge 84% for year

By John Barham in Ankara

Akbank, Turkey's largest private bank, announced an 84 per cent increase in 1995 pre-tax profit yesterday, largely because of its boldings of high-yielding treasury bonds.

Akbank, part of the family-owned Sabanci industrial conglomerate, said pre-tax profits rose to $461.98m, up from $250.66m in 1994.

Mr Hakan Çankaya, an analyst at Demirbank, an Istanbul bank, said Akbank's strong performance in part reflected poor results in 1994, when the financial industry was hit by a heavy devaluation and a big rise in interest rates that pushed Turkey into its worst recession to date.

Althongh the economy recovered strongly last year, with an increase in corporate lending, Akbank earned most of its profits from trading government paper.

Despite the bond market's profitability, some bankers say privately they fear the government could impose a unilateral restructuring of its local currency debt, estimated at $25bn.

Although its debt is small compared with the GNP of $183bn, the government has bad to accept ever-shorter maturities and rising interest rates, partly a reflection of tbe current political uncertainty. Bankers add tbat poor debt management has further worsened the government's financial problems.

Egypt bank to seek listing through GDRs

By James Whittington in Cairo

Egypt's top performing bank, Commercial International Bank, is seeking a listing on the New York Stock Exchange later this year through an issue of Global Depository Receipts. If successful it will be the first Egyptian company to be listed outside Egypt.

CIB is the largest and one of the most actively traded companies on the Cairo Stock Exchange with a market capitalisation of about E£2bn ($587m).

Its main shareholders are the state-owned National Bank of Egypt, which has 42 per cent, and the International Finance Corporation with 5 per cent. The remaining equity is held by some 12,000 local and foreign shareholders.

Mr Adel el-Labban, managing director, said the size of the GDR was likely to be 20 per cent of the bank's shareholder equity. It would involve a dilution of the National Bank of Egypt's stake and perhaps a small capital increase.

A number of international financial institutions are in talks with CIB to arrange and place the GDR and a decision is expected to be announced in mid-March.

"The aim of the listing is to increase our visibility by promoting easy access to our stock," Mr Labban said.

Since its public share offering in Cairo on September 1993, CIB has been a star performer on the Cairo Stock Exchange with its share prics rising from an issued price of E£260 to a high of E£611 in March 1995. It has suffered over the past two months, however, over rumours that the bank's 1995 second-half profits were not up to expectations.

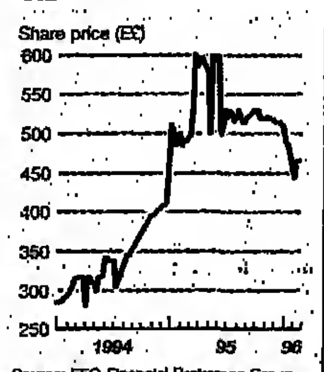
The bank reported unaudited net profits for 1995 of E£218m, compared with E£205m in 1994, whereas analysts were expecting about E£230. Mr Labban said margin pressure caused by a lower interest rate environment had slowed profit growth, but that the bank's overall performance had been strong.

The total balance sheet grew last year by 26 per cent to E£7.8bn and the bank's loan portfolio increased 50 per cent to E£5.3bn at the end of December 1995.

● Citibank is due next week to launch the first corporate bond issned by a bank in Egypt. *Mr Ahmed Elbardai*, Citibank vice-president in Egypt, said the issue would be a E£200m five-year floating rate bond borrowed by Citibank in New York on behalf of its branch in Cairo.

CIB

Share price (E£)



Source: EFG-Financial Brokerage Group

COMPANY NEWS: UK

Fourth-quarter dividend increased by 6% after 36% rise in full-year profits before exceptionals

'Sustained self-help' lifts BP to record £2.01bn

By Robert Corzine

British Petroleum yesterday increased its fourth quarter dividend by 6 per cent as it reported a 36 per cent rise in profits last year to a record £2.01bn, before exceptionals.

Fourth quarter replacement cost profits, which strip out the effects of oil price changes, were £501m.

But a previously announced exceptional charge of £667m to cover refinery rationalisations resulted in a £168m loss.

In announcing a 45 per cent rise in the dividend for the year to 15.35p, Sir David Simon, chairman, said the company was "delighted to be back on course".

Yesterday's dividend rise meant the pay-out was now above the level at which its was cut during the 1992 boardroom crisis.

Last year's performance was boosted by higher oil prices and buoyant demand for chemicals for much of the year.

But Mr John Browne, chief executive, stressed that "sustained self-help" contributed more to the performance improvements than external factors.

A fourth quarter operating profit of £579m helped raise full-year operating profits for the exploration and production division to £2.18bn, 17 per cent up on 1994.

Executives said volumes should increase substantially this year as new oil fields come on stream in the UK and the US Gulf of Mexico around the third quarter.

The net income per barrel of oil equivalent produced for the year was $4.25, against $3.37 in 1994, a result that put BP well ahead of most other leading oil companies, said executives.

Chemicals had a record year, with the company targeting fast growing markets in Asia. Full-year operating profits were £854m, but fourth quarter profits of just £137m against the third quarter's £225m reflected a softening of worldwide margins at the end of 1995.

Executives said there have been some signs of improvement in the US.

But markets are "likely to remain relatively softer in the near term," with broader improvements expected only later in the year.

The outlook for refining remains grim, said executives. Refining operations made a loss in the quarter, although marketing helped the overall downstream division to return an operating profit of £69m (£112m) for the quarter and £406m (£642m) for the year.

In recent months BP has been rationalising its worldwide refining assets by closing poor performers and investing in the company's best units.

But Mr Browne said: "We have a very cautious view on refining margins. Over-capacity will continue to hit margins in the next few months."

Capital spending for the year rose 13 per cent to £2.85bn, while strong cash flow allowed BP to reduce its net debt by more than $2bn to $8bn.

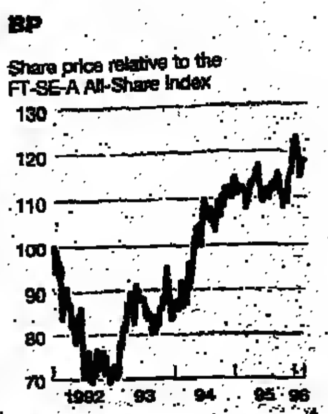
Mr Browne said the company would pursue "disciplined, quality growth".

Investment would be funneled only to the very best opportunities.

He is to announce new financial performance targets for the company in March.

LEX COMMENT

BP



British Petroleum shares have outperformed the market by 80 per cent over the last two years, so it is not surprising that some investors are eager to take profits. Yesterday, following a mildly disappointing set of fourth quarter results, was seen by some as the appropriate time to do so. The clouded outlook for the oil price and chemicals did not help. Nor – with refining horribly over-supplied and marketing profits down – did downstream earnings.

But investors should keep t overpriced. On a debt-adjusted cash flow basis they are comfortably in line with BP's peers; at 13 times next year's earnings, they even look a little cheap. Moreover, there is no sign of a slowdown in BP's formidable productivity drive: on the contrary, the recent decision to close several underperforming refineries suggests BP's management retains its edge.

One problem, though, has not been properly tackled: the company's excessively low dividend.

BP is throwing off phenomenal amounts of spare cash: £1.5bn in 1995, after tax, dividends and capital spending. Even next year, after investment has been stepped up further, the figure will be around £700m. Moreover BP has already got its debts down to its $8bn target – not high for a business capitalised at nearly $50bn. With borrowings under control, the company should either use its spare cash for further investment or hand it back to shareholders through higher dividends or a share buy-back. Yesterday's small dividend increase is nothing like enough.

Profits and loan volume advance but net interest income flat

Allied Irish rises to I£373m

By George Graham, Banking Correspondent

Allied Irish Banks increased profits by 9 per cent to I£372.6m (£383.3m) before tax in the year to December 31.

The group boosted its loan volume by 12 per cent, but net interest income fell fractionally to I£796.4m as interest margins slipped to an average 3.82 per cent, compared with 4.04 per cent in 1994 and 4.33 per cent in 1993.

Asset quality overall improved, with non-performing loans falling from 3.4 per cent of total loans to 2.4 per cent at the end of last year. Provisions for bad loans were cut from I£62.9m to I£52.5m in 1995.

Earnings per share rose 12.5 per cent to 34.2p (30.4p). AIB proposed a final divideod of 7.7p for a total payout for the year of 12.9p – up 17 per cent from 1994.

An unexpected bonus came from AIB's stake in Wielkopolski Bank Kredytowy, which made pre-tax profits equivalent to I£50m last year and its share price has nearly doubled over the year.


Lydia van der Meer

Neil Dean: 'we are not leaning any way at the moment'

AIB paid less than I£13m for a 16 per cent stake in WBK when it underwrote an undersubscribed share issue in 1995, and has an option to acquire a further 24 per cent from the European Bank for Reconstruction and Development.

However, the Irish bank is also evaluating the possibility of bidding for the 20 per cent stake recently put up for tender by the Polish government. "We are not leaning any way at the moment. We have to make up our minds by March 11," said Mr Neil Dean, AIB's chief financial officer.

AIB continues to look for fund management acquisitions to add to its £101m purchase of 80 per cent of John Govett and to its agreement to buy Zirkin-Cutler investments, a Washington investment business with $1.2bn (£0.77bn) under management. It has also agreed to pay $83.5m for First Washington Bancorp, a savings and loan institution which will take AIB First Maryland Bank subsidiary into northern Virginia. Its ambitions for retail banking acquisitions in the UK have not progressed.

Chubb pulls back from Sun Alliance

By Ralph Atkins and Peter John

Sun Alliance, the composite insurer, faced a second setback in as many weeks yesterday when Chubb Corporation, its US partner, signalled the scaling-back of a relationship which provides a significant chunk of the UK group's premium income.

Chubb's intentions were disclosed by Mr Dean O'Hare, chief executive, at an conference in New York and prompted Sun Alliance shares to close 8p down at 362p.

Under the current arrangement, Sun Alliance takes 14 per cent of Chubb's US premium income and Chubb takes 7½ per cent of its UK partner's worldwide non-life turnover.

Chubb's move follows a decision by Halifax, the UK's largest building society, to transfer the underwriting of household insurance policies from Sun Alliance to Royal Insurance. That cost Sun Alliance £160m in annual premium income.

The latest development fuelled speculation that Sun Alliance would step up efforts to find acquisitions that provided alteroative income streams. "It has either to buy another company or companies, or it has got to buy back its shares," said Mr Roman Cizdyn, insurance analyst at Merrill Lynch.

Loosening the Chubb connection gives Sun Alliance more scope for deals with a US connection which might have upset the US insurer.

The effect of the Chubb deal last year was to increase Sun Alliance's premium income by £100m, compared with forecast total non-life income of £3.5bn. Sun Alliance said the amount of business being swapped with Chubb was being reduced by a third this year and that Mr O'Hare had said the downward trend would continue, subject to annual review.

Although profit figures are not disclosed. Sun Alliance said the deal was meant to be neutral over time. Analysts, however, said the deal had worked in Sun Alliance's favour in past and could have again over the next few years as the expected downturn UK insurance began to bite.

Chubb's move was psychologically important, they said, because with the Halifax connection, the link is seen as one of the group's main strengths. There were also fears that Sun Alliance might now make a rushed acquisition.

Reuters predicts above 10% earnings growth

By Geoff Dyer

Reuters, the financial information and news group, reiterated its warning yesterday that it might not achieve "double-digit" revenue growth this year.

However, the group said it was confident that earnings would increase by more than 10 per cent in 1996 because of demand for its transaction products.

The predictions were made as Reuters recorded a 17 per cent increase in pre-tax profits to £599m (£510m). Revenue in the year to December 31 advanced 17 per cent to £2.7bn (£2.31bn) and operating margins were 20.4 per cent (19.9 per cent).

Strong growth in transaction products allowed the group to exceed analysts' profits forecasts. Revenues from Instinet, the equity trading system, advanced 31 per cent to £243m and sales of Dealing 2000, the foreign exchange system, were up 25 per cent.

Information products increased revenues by 14 per cent to £1.88bn (£1.64bn), helped by strong demand for information management systems.

Media products sales advanced 9 per cent to £153m.

Farnell vote on Premier will be close

By William Lewis

Tomorrow's vote of Farnell Electronics' shareholders on whether to approve the company's proposed £1.8bn takeover of Premier Industrial Corporation will be close, Farnell said.

Two institutions have publicly stated that they will voting against the deal at the extraordinary meeting. Others have privately said it is their intention to vote against.

The deadline for shareholders' proxy forms was yesterday.

Earlier this week Farnell said that forms of proxy received show an overwhelming majority of shares voted in favour of the proposed acquisition".

IBM deal boost for Superscape

By Paul Taylor

Shares in Superscape VR continued on their journey into cyberspace yesterday after the virtual reality software pioneer announced a marketing deal with International Business Machines.

Superscape's shares, which were floated at 198p in April, closed 75p higher at 539p yesterday following the announcement.

The company, based in Hook, Hampshire, is one of three quoted UK companies involved in the rapidly growing market for interactive virtual reality products.

All three, Superscape, Dimension and Virtuality, have benefited from the growing interest in VR technology for games and entertainment, training, modelling and other activities.

Under the terms of the new agreement with IBM, the US computer group will market and sell Superscape's virtual reality software and related services throughout Europe, the Middle East, Africa and the former Soviet Union.

Agreements covering Asia Pacific and North and South America are due to be finalised in the next few weeks.

Mr Tony Tuck, managing director of Superscape, said: "This agreement with IBM is a key part of our strategy to develop partnerships with major industry players both to widen the usage of virtual reality and establish Superscape as the world's leading supplier of VR software."

Superscape's main product, called Superscape VRT, runs on personal computers and enables users to create complex virtual worlds.

In addition to promoting Superscape's PC-based virtual reality software to existing and potential customers, IBM will also be selling VR-related services including consultancy, world building and training. Working in partnership with IBM, Superscape will be responsible for providing the majority of these services.

Sir Rocco Forte and Olga Polizzi sell shares worth £24.7m

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Sir Rocco Forte, former chairman of Forte, the hotels group which was taken over last month by Granada, and his sister Ms Olga Polizzi have sold Forte shares worth £24.7m.

Sir Rocco is leading a team to buy back from the TV and leisure group up to £2.5bn of Forte hotels and is being advised by SBC Warburg, Morgan Stanley, JP Morgan and UBS.

The team is in the process of putting together presentations to banks and potential providers of equity.

The hotels which Sir Rocco has said he would like to buy are the upmarket Exclusive and Méridien hotels as well as Forte's 12 other London hotels and the 52-strong Heritage hotels chain.

Granada has said it initially wants to sell only the 103 Exclusive and Méridien hotels.

Eight Forte directors – including Sir Rocco and Ms Polizzi – sold shares and options worth £41.2m in the last week of January, of which £22.9m was from non-beneficial interests, it was disclosed yesterday.

Sir Rocco raised £12.2m through the sale of 3.25m shares between January 23 and February 1, of which £4.3m was from the sale of 1.15m non-beneficial shares.

Ms Polizzi raised £12.4m, of which shares worth £4.3m were held non-beneficially. The two sold the shares at prices between 340p and 397p. In addition, Sir Rocco exercised an option over 60,000 shares at 231p and sold them for 395p, making a profit of £98,400.

After Granada received a majority of acceptances for its £3.9bn hostile bid, the Forte board recommended acceptance, saying it would not be in shareholders' interests to remain as a minority within a company controlled by Granada. Granada has received acceptances of more than 90 per cent of Forte shares enabling it, under the Companies Act, to buy compulsorily outstanding Forte shares. It said last week that it intended to do so in due course.

The other director to have non-beneficial interests is Mr George Proctor, who raised £14.4m through the sale of 3.85m non-beneficial shares in the last week of January.

Mr Keith Hamill, finance director, Sir Anthony Tennant, deputy chairman, Sir Paul Girolami, Mr Alan Wheatley and Mr Tito Chiandetti sold 540,853 shares raising £2.1m.

Sir Rocco, Ms Polizzi and Mr Proctor accepted Granada's offer last week and still hold Forte share options. Mr Hamill and Mr Wheatley hold 21,624 Forte shares, while Mr Chiandetti retains Forte share options. Sir Paul and Sir Anthony no longer have any interests in Forte.

BOC warns of slowdown in liquid gas sales in US

By Jenny Luesby

BOC, the industrial gases group, yesterday triggered market disappointment with a 13 per cent increase in pre-tax profits to £100.8m in the three months to December 31.

The shares dropped 14p to 929p.

Although the gases business, which accounts for two thirds of turnover, showed sales and operating profits up 9 per cent, merchant sales of liquid gas fell in the US in December.

Mr Danny Rosenkrantz, chief executive, said this drop was "hard to read". The gas business would be depressed by a continued downturn in the US, he said, but the group had so far experienced a drop in sales during cold weather, which makes distribution harder.

Further ahead, new orders had now moderated across the industrial gas industry, he said.

The Ohmeda healthcare side reported a 10 per cent fall in operating profits, on sales down 7 per cent, thanks to weak sales of anaesthesia equipment. On an underlying basis, profitability had fallen by 1 to 2 per cent.

The vacuums business, however, continued to deliver strong growth with a 56 per cent increase in operating profit to £18.4m on sales up 38 per cent.

Overall, sales rose 11 per cent in the first quarter, to £968.1m, lifting Earnings per share jumped 16 per cent to 13.23p (11.36p). The management team at BOC seems to be suffering a settling-in period in terms of managing expectations.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Irish Banks ‡	Yr to Dec 31	-	(-)	372.6	(341.2)	34.2	(30.4)	7.7	May 2	6.4	12.9	11
BOC	3 mths to Dec 31	968.1	(873.7)	100.8	(89.4)	13.23	(11.36)	-	-	-	-	24.8
British Petroleum †	Yr to Dec 31	36,106	(33,116)	1,946♣	(2,281)	20.2	(28.8)	4.25	May 7	3	15.25	10.5
Reuters	Yr to Dec 31	2,703	(2,309)	599	(510)	25.8	(21.7)	7.5	Apr 29	6.1	8.8	8
St Modwen	Yr to Nov 30	20.8	(30.9)	10	(13.2)	6.1	(9.2)	1.4	Apr 19	1.1	2.1	1.6
Wellington U'writing	69 wks to Dec 31	-	(-)	1.4	(-)	5.6	(-)	3	Apr 2	-	5.6	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Emerging	6 mths to Dec 31	151.5	(175.1)	0.335	(0.311L)	0.35	(0.32L)	-	-	-	-	nil
Fleming Overseas	6 mths to Dec 31	389.5	(332.9)	2.93	(3.37)	2.21	(2.53)	1.5	Mar 29	1.5	-	4.6
Ivory & Sime Isis	Yr to Dec 31	138.4	(109.6)	0.61	(0.63)	26.32	(27.16)	8.5	Feb 29	5.5	25	22
JF Second Utilities	Yr to Dec 31 ★	92.7	(91)	2.32	(2.38)	8	(8.2)	2	Apr 15	1.9	6.8	6.4♦
Kleinwort O'seas	Yr to Dec 31	320.1	(289.5)	3.01	(2.77)	3.75	(3.45)	1.95	Apr 27	1.9	3.55	3.4
TR Pacific	Yr to Dec 31	107.1	(104.5)	0.496	(0.461)	0.397	(0.344)	0.175	Apr 22	0.175	0.175	0.175
Warrants and Value	Yr to Dec 31	38.74	(34.47)	0.028	(0.011)	0.03	(0.01)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ‡Irish currency. ♣After exceptional charge. †Historical cost accounting. ★Compares with covered 13 month period. ♦Excludes special of 0.54p.

COMMODITIES AND AGRICULTURE

Brussels expected to resist British dairy quota plan

By Deborah Hargreaves

The UK's request for European Union dairy quotas to be raised by 1 per cent is likely to be missing from the European Commission's package of farm price proposals published today.

The commission has made it clear that it will resist the quota increase and corresponding 5 per cent cut in support prices requested by Mr Douglas Hogg, UK farm minister.

Mr Hogg wants to kick off the debate over dairy quotas, which are due to be abolished in 2000. The UK Ministry of Agriculture said his proposal: "would serve notice on the dairy industry that community prices must start falling towards world levels and would enable the quota regime to be relaxed without increasing expenditure or putting the EU's Gatt commitments at risk".

The government believes that dairy prices can be reduced now because world market levels are high. But the commission plans to cut export refunds as a way of managing the market instead of trimming intervention prices for butter and skimmed milk powder.

"The minister thinks this is a nice sound-bite to grab the attention of farmers," said an official from the National Farmers' Union of England and Wales. The NFU believes that a quota increase would just add to the structural surplus in the EU dairy industry, which is already operating at 12 per cent over-capacity.

Britain, however, is constrained by quotas to producing 85 per cent of its dairy needs.

Mr Hogg wants quotas to be progressively raised so that their value is reduced and farmers get used to producing for the market. The system could then be phased out in 2000.

The EU is due to begin a review of the dairy regime at the end of the year. The Danes and the French are pushing hard for a two-tier quota system similar to that which operates in the sugar market.

The two-tier system would mean that producers were alloted separate quotas for EU and export production. Milk production for the EU would receive a higher price than that for the export market, for which the world price would be paid. But the UK has serious reservations about such a system, believing it would be difficult and expensive to administer and open to fraud.

NZ sheepmeat export squeeze forecast

By Deborah Hargreaves

New Zealand is unlikely to fill its quota for exports of sheepmeat to the European Union this year and next, according to Mr Laurie Bryant, European director of the New Zealand meat board.

New Zealand which is one of the EU's largest suppliers of meat, has been allocated a quota of 228,700 tonnes of sheepmeat exports. But because of the pressures on land-use in New Zealand, numbers of sheep have fallen to 47.5m from a peak of 70m ten years ago.

Mr Bryant said that farmers were diversifying into dairying, which was more profitable, and some of the land was being turned over to forestry. Within the export numbers, he expected chilled lamb exports, particularly to Britain, to increase by around 10 per cent a year from the current 11,523 tonnes.

New Zealand's meat exports are worth £1.3bn a year – the highest earning export sector.

Gold's hedge-hopper sticks to its strategy

Peter Munk outlines Barrick Gold's forward sales policy to Kenneth Gooding

Barrick Gold, third largest of the world's gold producers, last year earned an additional $69.4m in revenue from its astute hedging programme.

The Canadian company earned $22 a troy ounce more than it would have had it sold its metal at spot market prices. In the past eight years hedging has added an extra $409m to its revenue.

No wonder the rest of the industry was startled when Barrick revealed last week that it had cut its hedge position by one third, from 9m ounces, or about three years of production, to 6m ounces.

Traders suggested that the news provided the impetus the gold price needed to break through $410 an ounce, which had proved to be a very tough barrier. They argued that hedging and forward selling by gold producers tended to stop any price rise in its tracks and if Barrick, a trend setter in this business, was changing tack, others would follow.

However, Mr Peter Munk, Barrick's founder and chairman, insists that the strategy has not changed. "We are still hedging and we are still hedged," he points out. But when Barrick adjusted its position by 100 tonnes in December and January it was not financially worthwhile to do any hedging.

Mr Munk suggests that Barrick's timing was excellent and it is now too late for other gold companies to follow its lead and cut their hedging programmes.

"They would not make a dollar on it," he says.

In the past eight years hedging has added an extra $409m to Barrick's revenue.

He acknowledges that hedging by gold producers has had a profound impact on the gold market.

The system works like this. A mining company can sell part or all of its projected future production several years ahead. It does so because usually it can get a price higher than the present market price for those future ounces and it gets guaranteed cash flow and revenue. The mining company delivers its gold on the specified dates and pays some interest, usually in gold.

The middle man in the transaction is a gold trading bank. This institution borrows the amount of gold the miner is committed to deliver, sells it immediately, and places the dollars raised on deposit until the cash is needed when the miner's gold is delivered.

Interest rates on gold are very low - typically 1 to 2 per cent - and well below the interest to be earned from dollars on deposit. This is why the gold bank can offer the miner a premium to the present spot price for his gold. That premium (or "contango" in market jargon) represents the difference between the interest rate on the dollars deposited and the cost of borrowing the gold.

None of this would be possible without the co-operation of some central banks. They provide the gold from their huge hoards for the bullion banks to borrow.

This they are happy to do because otherwise the gold would be taking up space in the vault and earning not a cent. It is one of the ironies of the business that the mining industry spends most of its time and energy, while unfortunately putting some lives at risk, digging up a relatively useless commodity (but admittedly one on which some people put a value) only to have it put back into another hole in the ground (the bank vault).

Not everyone in the industry is keen on hedging. Opponents point out that producers tend to hedge when they see the gold price going up. The weight of gold sold by the bullion banks puts a cap on price rises, they insist.

Towards the end of last year there was so much hedging, particularly by South African producers, that it became difficult to find enough gold to borrow. Central banks were unwilling to put extra metal into the market because they were in the process of finalising their financial books for the year. The cost of borrowing gold rose and this coincided with a time when interest rates on dollar deposits were falling. For a brief period the premium on the gold price for future delivery disappeared entirely. This was when Barrick busily unwound some of its hedging positions.

Mr Munk points out that the cumulative effect of producer hedging has been particularly noticeable in the past three years when demand for gold bullion has risen steadily while output from mines has remained roughly unchanged. The gap has been filled mainly by sales of gold because of hedging programmes - he reckons this involved five tonnes of gold four years ago but last year it was about 550 tonnes.

He says this created an "artificial situation" where the gold price hardly moved in spite of a big supply deficit. Mr Munk suggests that "you can only borrow from Peter to pay Paul" only for a limited time. "I'm no guru and can't tell you whether the price will settle $10 [an ounce] or $100 higher but there has to be a secular change in the gold price."

He dismisses the idea that demand for gold is being fuelled by relatively low prices and will subside as prices move up. Demand will continue to climb, he insists, because of the growing affluence of people in China, India and Thailand, and other parts of the world where the well-off do not have derivative markets to play in and do not trust local banks or their governments, but are happy to put their trust in gold bullion. "There are now 53m people in India with an income level equivalent to the average in Germany," he points out.

Despite these protestations, Mr Munk insists he has not changed the habit of a lifetime and become a gold bull. "I don't wear gold bracelets or want to change my Canadian dollars for gold bars."

And, he says, when market conditions are right, Barrick will be hedging again.

Porgera likely to miss gold target

By Nikki Tait in Sydney

Output from the large Porgera gold mine in Papua New Guinea could be some 15 per cent below the original estimates for this year's production, the project's managers warned yesterday.

They had originally targeted 1996 output at around 1.1m troy ounces.

Placer Pacific, which manages the project on behalf of the three other shareholders, said yesterday that there had been problems getting to some of the higher-grade stopes in the main underground orebody. This had already led to lower-than-expected production in the fourth quarter of 1995, but was likely to have a further impact on current year prodnction.

The joint venture partners – who include Australia's Goldfields group, PNG-based Highlands Gold and the Papua New Guinea government, as well as Placer – were still trying to determine when these stopes could be mined. "However, the joint venturers do not expect to gain access before the second half of 1996," it said.

Placer added that "although mill feed will be supplemented by lower grade ore from the open pit and lower grade stopes in the underground mine, the major impact from the reduction of forecast production is expected in the first half of calender 1996". A more detail "re-estimate" of prodnction would be released in abont four weeks' time.

Aboriginal title claim 'could delay zinc project by 6 months'

By Nikki Tait

RTZ-CRA, the Anglo-Australian mining group, warned yesterday that the final go-ahead for its planned A$1.1bn (US$830m) Century zinc mine in northern Queensland could be delayed by at least six months as it attempted to reach a settlement with aboriginal groups whose claim for native title rights over the site had been recognised.

In a surprise move last week, Australia's High Court allowed an appeal by the Waanyi people in northern Queensland against a full Federal Court ruling that had earlier rejected their claim.

Century asked the court to stay registration of the claim until February 13, hoping it could negotiate a settlement. But as the deadline expired yesterday it said no satisfactory conclusion had been possible. Aboriginal representatives "had put forward a proposal which was considered by the company. . . However, it did not give the company the security of tenure it needed for the whole project".

"There were also a number of other issues which could not be overcome in the time available," Century added.

Century said that it would continue to negotiate "co-operatively", using the procedures of Australia's new native title act, but warned that that could take six months or more.

The timetable is sensitive, because of Century's desire to supply Pasminco, the Australian zinc producer, by mid-1998. Pasminco needs to source "clean concentrates" from Century in order to meet environmental conditions set by the Dutch authorities for its Budel smelter. It plans to take 50 per cent of Century's output, and this is said to be the only mine capable of supplying in sufficient quantities.

The Waanyi people's claim extends over about 247 hectares of land, and encompasses the mine site. It was the first major native title claim case to be heard by the High Court since it made its historic "Mabo" ruling in 1992, which led to the eventual passage of Australia's Native Title Act.

The High Court has yet to hand down the reasons for its ruling, and the federal government has said that it will review the act in the light of these.

LME WAREHOUSE STOCKS
(As at Thursday's close) tonnes

Aluminium	+1,125	to 856,450
Aluminium alloy	+20	to 88,200
Copper	+5,275	to 350,560
Lead	-825	to 112,800
Nickel	-714	to 39,114
Zinc	-650	to 645,175
Tin	-35	to 10,540

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1609-10	1638-39
Previous	1631.5-32.5	1658-59
High/low	1609	1654/1631
AM Official	1609-10	1638-38.5
Kerb close		1634-5
Open int.	222,060	
Total daily turnover	52,753	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1370-80	1405-10
Previous	1390-400	1425-30
High/low		1415/1405
AM Official	1375-85	1410-15
Kerb close		1405-15
Open int.	5,020	
Total daily turnover	1,839	

■ LEAD ($ per tonne)

Close	747-48	750-51
Previous	758-59	760-61
High/low	754.5/754	760/748
AM Official	754-4.5	757-58
Kerb close		749-50
Open int.	36,477	
Total daily turnover	6,342	

■ NICKEL ($ per tonne)

Close	8095-105	8200-10
Previous	8180-90	8285-90
High/low	8150	8320/8160
AM Official	8150-55	8263-64
Kerb close		8220-5
Open int.	42,886	
Total daily turnover	9,363	

■ TIN ($ per tonne)

Close	6185-95	6255-60
Previous	6230-40	6290-95
High/low	6220	6300/6200
AM Official	6220-21	6270-80
Kerb close		6220-2
Open int.	15,680	
Total daily turnover	4,468	

■ ZINC, special high grade ($ per tonne)

Close	1022.5-3.5	1044-45
Previous	1031.5-2.5	1053-54
High/low	1024.5	1050/1041
AM Official	1024-24.5	1044.5-45
Kerb close		1042-3
Open int.	79,254	
Total daily turnover	15,810	

■ COPPER, grade A ($ per tonne)

Close	2502-4	2490-92
Previous	2550-53	2525-20
High/low	2530/2525	2523/2480
AM Official	2524-25	2514-15
Kerb close		2485-6
Open int.	176,719	
Total daily turnover	57,510	

■ LME AM Official £/$ rate: 1.5330
LME Closing £/$ rate: 1.5335

Spot: 1.5344 3 mths: 1.5311 6 mths: 1.5274 9 mths: 1.5235

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	114.60	-2.30	116.00	114.10	239	2,203
Mar	113.40	-2.40	115.70	112.60	4,316	19,833
Apr	113.00	-2.00	118.50	113.00	11	1,129
May	112.00	-2.20	113.70	111.80	1,060	8,408
Jun	111.30	-2.00	112.40	112.30	10	716
Jul	110.60	-1.70	111.90	110.30	252	3,081
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	402.00-402.40		
Opening	403.10-403.50		
Morning fix	403.00	263.347	485.212
Afternoon fix	403.20	262.722	485.332
Day's High	403.30-403.70		
Day's Low	400.50-401.00		
Previous close	402.70-403.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.12	6 months	3.32
2 months	3.87	12 months	2.83
3 months	3.70		

Silver Fix	p/troy oz.	US cts equiv.
Spot	372.35	570.75
3 months	377.45	577.90
6 months	382.35	583.45
1 year	392.55	595.60

Gold Coins	$ price	£ equiv.
Krugerrand	402-405	262-264
Maple leaf	413.10-415.70	
New Sovereign	94-97	61-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	403.0	+1.8	404.0	402.5	194	392
Apr	405.1	+1.8	406.0	402.5	63,867	123,468
Jun	407.7	+2.0	408.3	405.2	3,065	31,807
Aug	409.6	+2.1	410.0	408.3	196	11,373
Oct	411.5	+2.1	411.6	411.6	290	3,917
Dec	413.4	+2.1	413.7	411.9	403	14,094
Total					67,986	226,850

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	426.0	+5.4	426.0	420.0	2,886	16,470
Jul	427.3	+5.4	427.5	425.0	144	3,825
Oct	429.6	+5.4	431.0	427.0	11	1,360
Jan	432.0	+5.4	-	-	52	67
Total					3,038	21,741

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	142.00	+2.40	142.75	139.00	406	4,340
Jun	143.00	+2.50	143.60	139.50	124	3,179
Sep	144.25	+2.50	-	-	5	102
Dec	145.50	+2.50	-	-	-	67
Total					530	7,688

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Feb	570.6	+4.0	571.0	571.0	2	1
Mar	571.7	+4.7	573.5	564.0	20,702	61,398
May	577.2	+4.9	579.0	569.5	1,779	20,357
Jul	581.6	+4.9	583.5	573.0	384	9,604
Sep	585.0	+4.9	588.5	579.0	1,104	10,857
Dec	592.1	+4.9	593.0	583.5	678	6,471
Total					24,710	113,219

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	18.79	+0.99	18.85	17.90	28,453	55,396
Apr	18.25	+0.87	18.28	17.46	23,324	74,167
May	17.94	+0.78	17.94	17.22	5,239	45,091
Jun	17.74	+0.71	17.74	17.09	3,629	35,059
Jul	17.57	+0.58	17.57	17.05	578	28,423
Aug	17.50	+0.59	17.50	17.12	110	14,941
Total					64,916	384,077

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	17.79	+0.86	17.79	16.86	15,955	17,108
Apr	17.13	+0.79	17.13	16.30	31,910	75,454
May	16.68	+0.68	16.68	15.97	10,521	23,429
Jun	16.49	+0.62	16.49	15.86	5,206	20,863
Jul	16.32	+0.51	16.32	15.78	932	13,157
Aug	16.09	+0.34	16.09	15.77	498	5,492
Total					72,904	188,328

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	56.25	+2.55	56.30	53.65	13,622	28,243
Apr	51.65	+1.90	51.70	49.95	4,944	18,787
May	49.10	+1.60	49.10	48.05	1,215	10,280
Jun	47.65	+1.30	47.90	47.00	684	10,188
Jul	47.70	+1.10	47.80	47.15	124	6,134
Aug	48.10	+1.10	48.10	47.65	235	5,184
Total					21,842	92,540

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	170.00	+10.00	170.50	160.25	16,321	22,090
Apr	158.25	+5.75	158.25	152.50	10,004	11,810
May	152.25	+3.75	152.50	148.75	2,721	6,543
Jun	150.00	+3.50	150.00	146.75	500	6,349
Jul	149.50	+3.25	149.50	146.50	367	4,787
Aug	150.00	+2.50	149.50	149.25	120	2,098
Total					31,375	59,574

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	2.615	+0.159	2.625	2.440	10,327	30,637
Apr	2.295	+0.100	2.330	2.210	5,206	21,563
May	2.135	+0.065	2.140	2.070	1,420	16,734
Jun	2.015	+0.040	2.025	1.995	482	12,603
Jul	1.960	+0.040	1.960	1.940	400	10,278
Aug	1.915	+0.025	1.915	1.905	584	9,706
Total					18,784	155,010

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	54.95	+2.00	55.00	53.00	6,531	22,349
Apr	56.95	+2.00	57.00	55.01	5,068	18,505
May	56.40	+1.75	56.40	55.10	1,336	10,529
Jun	55.75	+1.60	55.75	54.70	656	5,452
Jul	54.90	+1.50	54.90	54.20	588	3,624
Aug	53.60	+1.05	53.60	53.26	236	2,686
Total					14,440	63,985

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.40	+4.50	118.75	118.25	237	1,146
May	120.55	-0.85	121.10	120.40	363	3,793
Jul	122.55	-0.95	123.00	122.50	130	436
Sep	110.40	-0.95	-	-	-	163
Nov	112.25	-0.80	112.00	112.00	40	1,373
Jan	113.75	-0.85	-	-	-	164
Total					774	7,079

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	515.25	+3.50	516.00	508.50	5,814	34,463
May	498.00	+2.75	497.00	490.50	2,401	17,923
Jul	456.50	+1.75	457.50	451.50	5,512	40,296
Sep	456.25	+2.25	457.00	451.00	217	7,945
Dec	463.50	-	464.00	459.00	249	4,829
Mar	460.00	-1.00	461.00	461.00	8	7
Total					14,207	105,677

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	371.50	+6.50	372.00	365.00	25,377	142,613
May	375.25	+5.75	375.50	369.25	14,179	155,659
Jul	369.75	+4.25	370.50	364.50	8,325	97,339
Sep	318.25	+0.75	319.50	316.00	2,657	30,171
Dec	304.75	-0.25	305.25	302.50	7,050	69,093
Mar	310.00	-0.25	310.25	307.75	249	4,945
Total					58,097	502,245

■ BARLEY LCE (£ per tonne)

Mar	107.50	-2.75	109.75	107.50	66	585
May	109.70	-2.30	111.50	109.40	5	410
Sep	106.20	-0.80	106.00	106.00	1	31
Nov	108.65	-0.85	-	-	-	240
Jan	119.50	-1.25	-	-	-	32
Total					101	1,268

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	722.00	+4.25	722.50	716.50	27,075	66,751
May	732.00	+4.50	732.50	726.50	15,554	45,380
Jul	739.50	+3.50	740.00	734.50	5,778	37,168
Aug	740.25	+3.80	739.25	736.00	542	3,912
Sep	721.00	-0.25	722.50	718.25	63	2,864
Nov	712.25	-0.75	714.50	709.00	5,030	41,896
Total					54,202	202,014

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	24.44	-0.10	24.50	24.33	12,901	33,403
May	24.80	-0.09	24.87	24.69	6,971	20,790
Jul	25.17	-0.11	25.23	25.07	1,435	16,588
Aug	25.32	-0.10	25.39	25.27	367	4,670
Sep	25.49	-0.09	25.47	25.45	85	2,097
Oct	25.65	-0.06	25.70	25.60	73	1,936
Total					22,867	86,368

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	225.9	+1.0	226.0	224.2	8,380	28,244
May	229.8	+1.7	230.0	228.2	6,805	27,868
Jul	232.4	+2.0	232.5	230.6	1,943	19,360
Aug	231.5	+1.3	231.5	229.8	251	3,858
Sep	228.0	+1.5	228.3	227.0	106	2,574
Oct	223.3	+0.3	224.0	223.0	42	1,877
Total					18,105	88,397

■ POTATOES LCE (£/tonne)

Mar	200.0	-	-	-	-	-
Apr	183.8	+0.5	186.1	183.8	37	835
May	209.3	-	-	-	-	12
Jun	325.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Total					37	880

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1430	+2	1430	1420	0	489
Mar	1435	-10	1445	1430	87	629
Apr	1418	-22	1435	1415	36	1,395
Jul	1315	-11	1320	1310	78	1,415
Oct	1350	-	1350	1350	10	550
Jan	1355	-	-	-	-	45
Total					227	4,527

	Close	Prev
BFI	1448	1449

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,375-3,475 (3,375-3,450). Bismuth: min. 99.99%, tonne lots 3.75-4.15 (3.80-4.15). Cadmium: min. 99.95%, 160-170 (170-180) cents a pound. Cobalt: MB free market, 99.8%, 31.00-31.75 (31.25-32.00); 99.3%, 27.85-28.40 (27.80-28.30). Mercury: min. 99.99%, $ per 76 lb flask, 150-170. Molybdenum: drummed molybdic oxide, 4.15-4.35 (4.20-4.40). Selenium: min 99.5%, 3.60-4.30 (3.70-4.40). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 50-58. Vanadium: min. 98%, cif, 2.80-3.00 (2.85-3.00). Uranium: Nuexco exchange value, 10.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	902	-3	904	899	1,453	14,479
May	924	-3	928	921	1,975	19,865
Jul	948	-1	949	945	395	10,811
Sep	966	-3	968	965	117	36,160
Dec	985	-3	986	983	821	13,963
Mar	1005	-1	1006	1005	156	30,416
Total					4,917	133,738

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1268	+9	1270	1257	5,068	11,687
May	1299	+11	1300	1287	5,883	36,301
Jul	1320	+12	1322	1310	1,328	13,955
Sep	1339	+11	1339	1331	397	11,004
Dec	1370	+10	1370	1369	234	9,763
Mar	1396	+10	-	1392	40	7,260
Total					12,850	92,570

■ COCOA (ICCO) (SDR's/tonne)

Feb 12	Price	Prev. day
Daily	925.41	930.67

■ COFFEE LCE ($/tonne)

Mar	2144	-27	2159	2125	3,457	14,100
May	1924	-23	1938	1905	2,351	11,940
Jul	1862	-14	1868	1840	015	4,673
Sep	1833	-21	1840	1812	487	2,567
Nov	1018	-20	1615	1615	5	1,308
Jan	1803	-22	1802	1790	4	136
Total					6,914	34,724

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	122.80	+1.20	125.50	120.40	7,040	9,548
May	120.45	+1.05	122.95	118.50	4,643	11,816
Jul	118.55	+0.65	120.75	116.75	583	3,423
Sep	117.35	+0.50	117.50	117.00	127	2,231
Dec	115.55	+0.05	118.75	115.50	21	1,169
Mar	115.05	+0.25	115.50	115.50	3	270
Total					12,420	28,494

■ COFFEE (ICO) (US cents/pound)

Feb 12	Price	Prev. day
Comp. daily	112.61	114.90
15 day average	110.66	109.61

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	10.90	-	-	-	-	-
May	11.01	-	-	-	-	-
Jul	11.65	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

Mar	391.1	-	398.4	391.0	682	2,248
May	369.5	+2.2	370.0	367.0	1,800	13,456
Aug	348.0	+1.7	348.9	347.0	808	6,140
Oct	317.8	+1.4	317.5	316.6	347	3,906
Dec	308.7	+1.7	307.0	306.9	164	2,502
Mar	303.8	+1.1	303.7	303.0	11	634
Total					3,824	29,424

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.20	-0.09	12.29	12.10	16,762	50,819
May	11.61	-0.04	11.64	11.58	14,793	41,448
Jul	10.74	+0.02	10.79	10.66	7,591	29,107
Oct	10.49	+0.03	10.49	10.37	2,007	24,547
Mar	10.17	+0.02	10.18	10.10	942	13,328
May	10.04	+0.02	10.06	10.00	374	2,372
Total					42,581	162,669

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	84.50	+0.17	84.85	83.40	3,476	15,744
May	85.45	+0.10	85.55	84.31	1,693	16,744
Jul	85.45	-0.02	85.85	84.80	510	10,986
Oct	80.70	+0.10	80.70	80.10	260	1,967
Dec	78.75	+0.14	78.80	79.15	689	12,981
Mar	79.35	+0.10	79.10	79.00	50	1,126
Total					8,874	61,102

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	123.55	-0.85	124.25	123.10	1,893	9,095
May	124.00	-1.25	125.05	124.00	1,508	6,382
Jul	124.20	-2.05	125.90	124.20	250	1,836
Sep	124.20	-2.05	125.65	124.20	122	1,465
Nov	122.70	-2.05	-	-	5	581
Jan	122.85	-1.35	124.00	122.95	38	1,680
Total					3,816	21,176

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 13	Feb 12	month ago	year ago
2143.4	2151.3	2097.3	2247.4

■ CRB Futures (Base: 1967=100)

Feb 12	Feb 9	month ago	year ago
247.50	248.02	239.95	234.62

■ GSCI Spot (Base: 1970=100)

Feb 12	Feb 9	month ago	year ago
191.26	192.40	180.15	176.76

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.525	-0.250	64.750	64.500	1,266	6,447
Apr	64.825	-0.425	65.150	64.775	3,412	34,048
Jun	62.575	-0.275	62.825	62.525	1,962	18,264
Aug	62.025	-0.200	62.175	62.000	633	8,301
Oct	62.925	-0.200	63.125	62.900	688	8,860
Dec	62.300	-0.125	62.350	62.250	152	4,737
Total					8,309	82,441

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	50.100	+0.150	50.300	49.600	1,116	2,453
Apr	47.425	-0.325	47.800	47.300	3,195	12,537
Jun	52.400	-0.275	52.700	52.150	1,478	9,107
Jul	50.950	-0.250	51.300	50.900	289	2,784
Aug	49.450	-	49.550	49.200	695	4,162
Oct	45.300	+0.050	45.550	45.200	113	1,860
Total					7,023	34,880

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	60.350	+0.150	60.600	59.400	180	519
Mar	59.775	-0.275	60.250	59.350	1,608	2,917
May	60.575	-0.150	61.050	60.275	901	2,279
Jul	59.175	-0.375	59.500	59.000	273	1,254
Aug	56.200	-0.300	56.500	56.200	55	255
Total					3,017	7,224

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Jul	May	Jul
1500	148	170	14	26
1600	79	106	44	59
1700	35	60	99	110
■ COPPER (Grade A) LME	May	Jul	May	Jul
2400	122	119	41	82
2500	68	74	86	134
2600	33	-	150	-
■ COFFEE LCE	Mar	May	Mar	May
1500	644	774	-	8
1550	594	724	-	13
1600	544	674	-	19
■ COCOA LCE	Mar	May	Mar	May
875	29	59	2	10
900	11	42	9	18
925	3	29	26	30
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1650	-	46	-	-
1700	-	30	-	25
1750	-	14	-	-

LONDON SPOT MARKETS

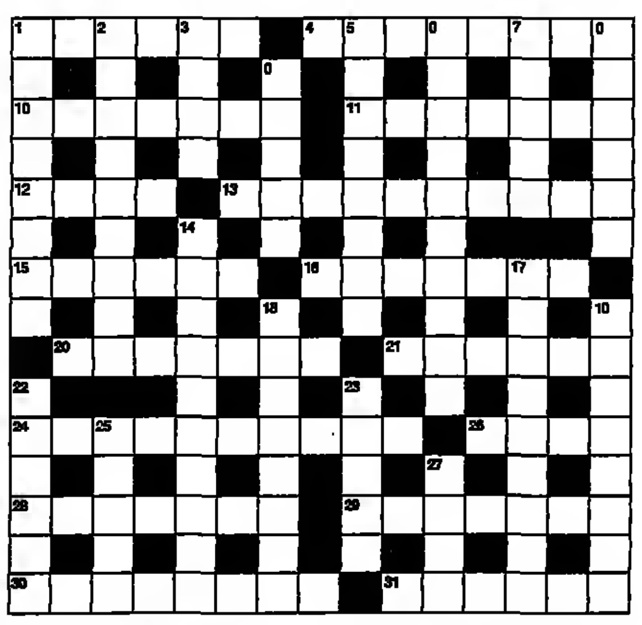
■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$18.00-8.10w	+0.73
Brent Blend (dated)	$18.14-8.18	+0.97
Brent Blend (Mar)	$17.74-7.76	+0.92
W.T.I.	$18.75-8.80w	+0.94
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$173-175	+5
Gas Oil	$198-200	+13
Heavy Fuel Oil	$91-93	
Naphtha	$170-173	+7
Jet fuel	$201-203	+14
Diesel	$195-197	+9
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$402.20	-0.70
Silver (per troy oz)♣	569.5c	-2.0
Platinum (per troy oz.)	$420.85	+2.35
Palladium (per troy oz.)	$138.50	+0.50
Copper	123.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.78m	
Tin (New York)	291.50c	-5.00
Cattle (live weight)†	121.72p	+0.95*
Sheep (live weight)†♠	134.90p	+3.54*
Pigs (live weight)†	113.85p	+4.58*
Lon. day sugar (raw)	$315.8	+9.5
Lon. day sugar (wte)	$398.0	+10.0
Barley (Eng. feed)	128.0u	
Maize (US No3 Yellow)	41.75z	
Wheat (US Dark North)	$6.23	
Rubber (Mar)♥	104.00p	
Rubber (Apr)♥	104.00p	
Rubber (KL RSS No1)	390.00m	+4.00
Coconut Oil (Phil)§	$745.0y	-2.5
Palm Oil (Malay.)§	$522.5y	
Copra (Phil)§	482.0y	
Soyabeans (US)	185.0u	
Cotton Outlook'A' index	85.55	
Wooltops (64s Super)	438p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb. ♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week †

JOTTER PAD

CROSSWORD

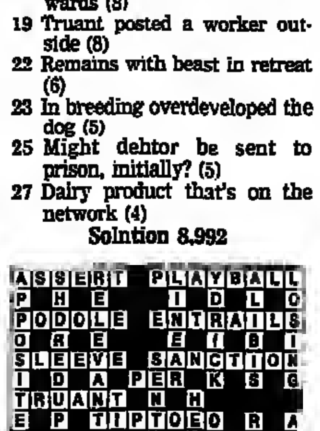
No.8,993 Set by DOGBERRY



ACROSS
1 Recoil from fight scene in church (6)
4 Weapon curtailed armistice, perhaps (8)
10 Material hat has class (7)
11 Cheese for girl in bed? On the contrary (7)
12 Poke Evangelical, offensively (4)
13 One parent fled or the other left – it's against nature (10)
15 One seizing what goes atop hill (6)
16 Save dear French from murderer (7)
20 Thug offering neckwear to Scot (7)
21 Opal Fruit for doctor with finesse (6)
24 Thus to hold classy individual fast (10)
26 Clean and neat (4)
28 Boisterously argue with novice in home improvement (7)
29 It's worn by man carrying weapon (7)
30 Seafaring lad embraced by foreign girl (8)
31 What the bishop has brought to the boil (6)

DOWN
1 Covering vehicle at speed (8)
2 Compiler's put out after concert's not rehearsed (9)
3 Storyteller not entirely unsympathetic (4)
5 Spice jester added to a parent (8)
6 Painter's admitting many manage the magnifier (10)
7 Carry metre on pole, perhaps (5)
8 Point in race, in fact (6)
9 Bore force into defeat (5)
14 Orthodox study favouring obfuscation (10)
17 Returned book about light flux for a fee (9)
18 Fit for a king going through diseased manuscript backwards (8)
19 Truant posted a worker outside (8)
22 Remains with beast in retreat (6)
23 In breeding overdeveloped the dog (5)
25 Might debtor be sent to prison, initially? (5)
27 Dairy product that's on the network (4)

Solution 8,992



INTERNATIONAL CAPITAL MARKETS

Europe recovers but Italy plunges after hours

By Martin Brice in London and Maggie Urry in New York

European government bond markets recovered slightly yesterday, as the auction supply from the US began to reach end-investors, but Italian bond futures plunged nearly a full point after the cash market closed on a statement from

GOVERNMENT BONDS

conservative leader Mr Silvio Berlusconi suggesting negotiations to form a government had broken down and an election would have to be held.

■ German bonds opened stronger on the back of Treasury gains overnight. There was support for the March future on Liffe at around 99 and it closed at 99.09, up 0.32. The yield on two-year paper fell by 1 basis point and that on 10-year bunds by 5 points, with the spread between the maturities settling at 283 points.

The yield spread of 10-year bunds over Treasuries rose by 2 basis points to 43 points. Analysts believe further gains will be limited ahead of further supply and the Bundesbank council meeting today.

■ French bonds followed bunds higher and on Matif the March future settled at 122.04, up 0.28 while March Pibor fell by 0.04 to 95.51. The curve flattened slightly ahead of the BTAN auction tomorrow, although analysts expect curve steepening in expectation of more interest rate cuts.

The yield on one-year paper rose by 2 basis points, while on 10-year bonds it fell by 5 points, with the spread between the maturities at 195 points. The spread over bunds rose 1 basis point to 41 points.

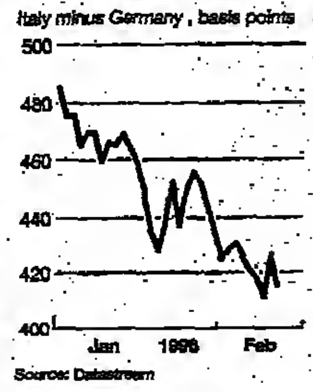
■ Italian government bonds traded well during the day, with the March future on Liffe advancing by 0.99 to 112.28 and the spread over 10-year bunds tightening by 14 basis points to 413 points. The curve flattened slightly, with the yield on two-year paper falling 9 basis points and that on 10-year bonds by 17 points, with the spread at 99 basis points.

However, a statement from Mr Berlusconi accusing Mr Massimo D'Alema, his rival, of wrecking the chances of forming a broad-based government sent the future plunging almost a full point in the early evening. Mr Berlusconi said an election was the "natural way" out of the crisis.

Mr Michael Dell, bond analyst at UBS, said: "People have moved towards an expectation that there won't be a government formed from these negotiations and that may mean an election."

10-yr bond spread

Italy minus Germany, basis points



Source: Datastream

■ Swedish bonds responded positively to the 15 basis point cut in the repo rate and the yield spread over 10-year bunds fell 4 basis points to 261 points.

Spanish bonds also outperformed German bunds, with the yield spread over 10-year paper tightening by 13 hasis points to 347 points.

■ UK government bonds underperformed bunds, with the spread over 10-year paper rising by 4 basis points to 164 points ahead of today's Bank of England inflation report. The March future on Liffe closed up ⅛ at 109⅛.

■ US Treasury bonds drifted upward in continued quiet trading. Traders said technical factors helped to push prices higher and hedge funds were seen buying three-year paper.

The yield on the long bond was again approaching the psychologically important 6 per cent level.

Near midday, the new 30-year Treasury bond auctioned last Thursday was ¼ higher at 99$\frac{27}{32}$ to yield 6.007 per cent, while at the short end of the maturity spectrum the two-year note was up $\frac{1}{16}$ at 100¾, yielding 4.779 per cent.

Economic news gave little direction to the market, which shrugged off statistics suggesting a stronger economy.

Treasuries ignored inflationary concerns raised by the employment cost index for the fourth quarter, which showed a rise of 0.9 per cent, making a total for the year of 2.9 per cent. Although this is the lowest level since the Labor Department began calculating the index in 1981, an acceleration in the last quarter of the year raised some concern that wage rates were rising, presaging higher inflation.

The Labor Department said the faster growth in 1995's last quarter, the highest rate since the first quarter of 1993, was due to increases in benefits such as health insurance.

Nor did the market react negatively to a rise in weekly chain store sales, recorded by Mitsubishi Bank/Schroder Wertheim. This showed an increase in sales of 1.1 per cent in the week ended February 10.

Idem to launch options on six Italian shares

By Antonia Sharpe

The Italian stock exchange's derivatives arm, Idem, is set to launch options on the bourse's six most liquid stocks next Monday as part of its drive to modernise the market and bring it into line with its foreign counterparts.

DERIVATIVE INSTRUMENTS

The options contracts will be based on the following stocks: Eni, the oil and gas company which was partially privatised last year; Fiat, the car company; Generali, tha insurance company; and Stet, Tim and Telecom in the telecommunications sector.

Italy already has a traded options market but much of the trading is over-the-counter. Ms Simona Locatelli, an Italian Stock Exchange Council marketing official, said the new stock options would be more transparent and liquid than the traditional options market.

There will be nine market-makers – Citibank, BNP, Banca del Salento, Albertini, Deutsche, Akros, Caboto, Intersim and Medasim.

The marketmakers will be obliged to make both bid and offer prices, thus providing a minimum of liquidity to tha market.

Initially, liquidity will be divided between the two markets but Ms Locatelli said she expected orders to move gradually from the old to the new market.

Mr Matteo Amoretti, head of equity derivatives and arbitrage at Albertini, said the stock options market would be much safer because there is no counterparty risk.

The counterparty in the new stock options market will be the Cassa Di Compensazione E Garanzia, the Italian clearing house. By contrast, the counterparty risk in the old market can be high because counterparties deal directly with each other.

Idem also plans to launch stock options on the other 24 stocks in tha MIB-30 Index, which is the base for futures and options contracts on Idem. There are also plans to launch a customised flex option at a later stage.

The American-styla stock options will be traded on a monthly and quarterly cycle. The minimum trading unit is 1,000 shares for each contract.

The bourse is also moving to full five-day cash settlement on all its approximately 320 quoted stocks on Friday, which should make the market more transparent and trading less risky. Settlement in Milan has been at the end of the stock exchange calendar month.

Bayerische Landesbank brings 10-year offering for £300m

By Conner Middelmann

Another active day in the eurobond market saw two big sterling deals and the announcement of another large global dollar bond issue in the 10-year sector.

Bayerische Landesbank, the triple-A rated Bavarian state-backed bank, launched its long-awaited £300m offering of 10-year bonds, its largest transaction in the sterling market to date and its first senior issue in this sector.

Launched during Asian trading, the deal saw good demand in east Asia, which gave it good momentum by the time Europe's markets opened, said lead manager SBC Warburg. The bonds were priced to yield 25 basis points over the corresponding gilt, which was widely deemed as fair.

"It's a good area of the curve – there have been no other triple-A rated eurobonds since the European Investment Bank's three weeks ago, and that trades at 10 over gilts," said one dealer, who reported some switching into the Bayerische Landesbank bonds from the EIB's issue and out of gilts.

INTERNATIONAL BONDS

The bonds were placed mainly among UK institutions, which the issuer had targeted in an extensive roadshow last week.

A £250m five-year offering for Abbey National got a slightly cooler reception due to its tighter pricing, dealers said. However, the 25 basis point spread over gilts was maintained and lead manager Deutsche Morgan Grenfell reported good sales into Germany and Switzerland – mainly to retail investors, although it also saw some UK institutional demand.

German investors, especially, are speculating on currency outperformance by sterling against the D-Mark in the event of further German interest rate cuts, said Mr Gareth Jones, Abbey's Treasurer.

Moreover, he said, the next few weeks will see more than £1bn in euro-sterling redemptions, creating extra demand for sterling paper. In addition, Deutsche said, five-year sterling bonds offer a yield pick-up of around 200 basis points over their German counterparts, at which level any "political risk is fully discounted." Abbey National has not issued a sterling eurobond since February 1994.

In the dollar sector, the Province of Ontario appointed Goldman Sachs and Salomon Brothers as joint book-runners for a $1.5bn global 10-year offering "as soon as market conditions allow." It is expected later this week.

Ontario's last dollar global was priced at 57 basis points over Treasuries and now trades at 48 points over, which is the spread that most dealers are expecting on the forthcoming issue.

Although Finland's $1bn 10-year global bond was priced at the lower end of the range at 36 basis points over Treasuries, it attracted heavy demand and was oversubscribed, said arranger Morgan Stanley.

Among exotic currencies, GECC issued Zl 100m of 18¼ per cent zloty bonds – though payment of coupons and principal occurs in US dollars due to Polish foreign exchange restrictions – via J.P. Morgan, while Rabobank Nederland issued R250m of 13⅛ per cent South African rand bonds via Hambros Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Dean Witter Discover & Co(a)‡	200	(a1)	100.06R	Oct 2002	0.30R	-	Morgan Stanley & Co Intl
Credit Saison(b)ф	200	2.25	100.00	Feb 2000	2.25	-	Nomura International
D-MARKS							
Landesgirokasse	1bn	5.125	99.591R	Mar 2001	0.25R	+41(5¼%-00)	CSFB-Effecten/JP Morgan
BNG	300	5.125	99.83R	Mar 2001	0.25R	+33(5¾%-00)	Banque Paribas (Deutsch)
Volkswagen Intl Financek	300	4.85	100.345	Feb 2001	1.875	-	Nomura Bank (Deutschland)
STERLING							
Bayerische Landesbank(s)	300	7.875	99.349R	Dec 2006	0.325R	+25(7¾%-06)	SBC Warburg
Abbey Natl Trsy Services(l)	300	7.125	99.57R	Mar 2001	0.275R	+25(8%-00)	Deutsche Morgan Grenfell
CANADIAN DOLLARS							
Bayerische Vereinsbank(s)	100	8.00	98.87R	Dec 2000	0.225R	+5(7½%-00)	Toronto Dominion Bank
ESCUDOS							
Lehman Brothers Holdings‡	10bn	(c)	100.00	Mar 2001	0.10	-	Caixa Geral de Depositos
SOUTH AFRICAN RAND							
Rabobank Nederland	250	13.125	101.875	Mar 2001	2.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡Unlisted. фWith equity wrts. ‡ Floating-rate note. R: fixed re-offer price ; fees shown at re-offer level. a) Fungible with $200m. Plus 52 days accrued. Callable from Oct.00 at par. a1) 3-mth Libor +37½bp. b) Fixing: 20/2/96. c) 3-mth Lisbor +40bp. § Long 1st coupon. s) Short 1st coupon.

Milanese bank raises $150m

By Martin Brice

Centrobanca, the Milan-based Italian investment bank, has raised a $150m seven-year loan at an interest margin of 25 basis points over Libor for the first five years then 27½ points.

Joint arrangers are Banca Popolare di Novara, Bayerische Landesbank Girozentrale and Chemical Bank.

● A $500m seven-year loan for Saint-Gobain, the French glass and materials group, has been arranged by ABN-Amro, Chemical Bank and Deutsche Morgan Grenfell, at Libor plus 12½ basis points for the first five years, then 15 points over.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	113.2470	-	8.05	8.15	8.12
Austria		6.125	02/06	98.1900	+0.290	6.38	6.41	6.29
Belgium		7.000	05/06	103.1100	+0.230	6.57	6.05	6.64
Canada *		8.750	12/05	112.8000	+0.640	6.92	7.11	6.86
Denmark		8.000	03/06	105.1200	+0.260	7.26	7.34	7.12
France	BTAN	7.000	10/00	105.8750	-	5.51	5.45	6.68
	OAT	7.250	03/06	105.3800	+0.260	6.50	6.52	6.60
Germany Bund		6.000	01/06	98.4200	+0.260	6.08	6.09	5.85
Ireland		8.000	08/06	103.5500	+0.280	7.49	7.50	7.38
Italy		10.500	09/05	102.9300	+0.610	10.01†	10.08	10.33
Japan	No 129	6.400	03/00	117.2040	-0.060	1.86	1.87	1.84
	No 174	4.600	09/04	111.1840	+0.187	2.97	2.97	3.04
Netherlands		6.000	01/06	99.2000	+0.280	6.11	6.15	5.94
Portugal		11.875	02/05	114.1600	+0.310	8.47	9.53	9.81
Spain		10.150	01/06	103.6500	+1.120	9.62	9.74	9.46
Sweden		6.000	02/05	83.6440	+0.432	8.70	8.86	8.23
UK Gilts		8.000	12/00	104-16	+3/32	6.88	6.96	6.85
		7.500	12/06	99-05	+4/32	7.61	7.68	7.42
		9.000	10/08	109-24	+4/32	7.77	7.83	7.56
US Treasury *		5.625	02/06	100-14	+16/32	5.57	5.68	5.55
		6.000	02/26	99-26	+36/32	6.01	6.13	5.94
ECU (French Govt)		7.500	04/05	104.0100	+0.340	6.89	6.85	6.86

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.05	Two year	4.81
Prime rate	8¼	Two month	4.93	Three year	4.90
Broker loan rate	1	Three month	4.93	Five year	5.16
Fed.funds	5⅛	Six month	4.87	10-year	5.58
Fed.funds at intervention	5¼	One year	4.80	30-year	6.03

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	122.10	122.04	+0.28	122.20	121.92	90,231	143,826
Jun	122.26	122.18	+0.26	122.30	122.10	3,501	19,227
Sep	121.02	120.94	+0.26	121.02	120.86	133	2,255

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
120	2.09	-	-	0.07	-	-
121	1.19	-	1.98	0.20	1.02	-
122	0.51	1.59	1.50	0.53	1.44	2.02
123	0.16	1.13	-	1.15	1.89	2.50
124	0.04	0.71	-	-	2.49	-

Est. vol. total, Calls 15,427 Puts 9,034 . Previous day's open int., Calls 197,316 Puts 202,835.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.08	99.06	+0.31	99.23	98.93	172767	234668
Jun	98.20	98.19	+0.32	98.34	98.09	2941	19606

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9900	0.41	0.41	0.63	0.82	0.35	1.22	1.44	1.63
9950	0.16	0.26	0.46	0.63	0.82	1.57	1.77	1.94
10000	0.07	0.15	0.32	0.47	1.01	1.96	2.13	2.28

Est. vol. total, Calls 20696 Puts 13195. Previous day's open int., Calls 289823 Puts 237644

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	111.85	112.29	+1.00	112.49	111.20	47569	60130
Jun	111.35	111.81	+1.00	111.80	111.30	1040	5824

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11200	0.79	2.08	0.50	2.25
11250	0.52	1.82	0.73	2.51
11300	0.34	1.60	1.05	2.79

Est. vol. total, Calls 4094 Puts 5579. Previous day's open int., Calls 91756 Puts 86082

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.02	96.62	+1.07	96.69	95.94	67,237	50,047
Jun	95.80	96.11	+0.70	95.80	95.80	5	1,053

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109-21	109-14	+0-04	109-23	109-06	64721	135445
Jun	108-30	108-23	+0-05	108-30	108-23	1587	1854

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
109	0-50	0-60	1-21	1-41	0-22	1-14	1-39	1-59
110	0-17	0-34	0-58	1-12	0-53	1-52	2-13	2-30
111	0-04	0-18	0-38	0-53	1-40	2-36	2-57	3-07

Est. vol. total, Calls 3335 Puts 1370. Previous day's open int., Calls 42969 Puts 33669

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	91.12	91.06	+0.30	91.14	90.94	1,902	5,600

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-19	120-26	+0-07	120-29	120-12	225,451	325,947
Jun	120-00	120-10	+0-07	120-12	119-29	8,786	46,725
Sep	119-14	119-20	+0-04	119-23	119-11	858	6,467

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	120.10	-	-	120.12	120.03	1414	0
Jun	118.56	-	-	118.59	118.52	557	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 13	Day's change %	Mon Feb 12	Accrued interest	xd adj. ytd		Low coupon yield Feb 13	Feb 12	Yr. ago	Medium coupon yield Feb 13	Feb 12	Yr. ago	High coupon yield Feb 13	Feb 12	Yr. ago
1 Up to 5 years (22)	123.43	-0.05	123.26	2.49	0.77	5 yrs	6.97	6.99	8.71	7.01	7.03	8.71	7.10	7.11	8.89
2 5-15 years (21)	150.42	+0.10	150.26	3.32	0.00	15 yrs	7.84	7.86	8.59	7.86	7.88	8.71	7.96	7.98	8.91
3 Over 15 years (8)	165.20	+0.16	164.53	3.14	1.02	20 yrs	7.95	7.97	8.55	7.95	7.97	8.71	8.05	8.07	8.83
4 Irredeemables (8)	189.27	+0.40	188.51	3.00	0.00	Irred.†	8.03	8.06	8.58						
5 All stocks (57)	144.89	+0.10	144.75	3.02	0.47										

Index-linked							Inflation 5% Feb 13	Feb 12	Yr. ago	Inflation 10% Feb 13	Feb 12	Yr. ago
6 Up to 5 years (1)	198.00	-0.07	198.14	2.67	0.00	Up to 5 yrs	2.86	2.62	3.85	1.48	1.43	2.63
7 Over 5 years (11)	188.00	+0.03	187.94	1.14	0.31	Over 5 yrs	3.63	3.63	3.83	3.44	3.44	3.75
8 All stocks (12)	188.09	+0.02	188.04	1.17	0.30							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7	Yr ago	High*	Low*
Govt. Secs. (UK)	94.86	94.59	94.49	94.62	94.64	90.66	96.34	90.22
Fixed Interest	113.05	112.90	112.88	112.98	112.88	109.92	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 12	Feb 9	Feb 8	Feb 7	Feb 6
Gilt Edged bargains	108.6	98.1	98.9	88.3	98.7
5-day average	97.7	99.7	98.4	95.8	105.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:55 pm on February 13

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅞	103		5.13
Abbey Natl Treasury 6½ 03	1000	103¼	103⅝	+⅝	5.91
ABN Amro Bank 7¼ 05	1000	107⅝	107⅞	+⅛	6.25
African Dev Bk 7¾ 23	500	105¾	107⅛	+⅛	6.62
Alberta Province 7⅞ 98	1000	106¼	106½	+⅛	5.10
Asian Dev Bank 6⅛ 05	750	102¾	103	+⅛	5.95
[illegible]					
Sweden 8 97	2500	105⅞	107		3.87
United Kingdom 7⅛ 97	5500	105½	105⅞		3.73
Volkswagen Intl Fin 7 00	1000	103¾	104⅛	+¼	6.33
World Bank 0 15	2000	29⅞	29¾	-⅛	6.36
World Bank 5⅞ 00	3000	99¾	99⅞	+¼	5.91
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100¾	100⅞	+⅛	7.85
Alliance Leics 11⅛ 97 £	100	105¾	106		6.34
British Land 8⅞ 23 £	150	91¾	92½		9.98
Denmark 6¾ 98 £	800	100¼	100⅜	-⅛	6.62
EIB 8 03 £	1000	101⅞	102⅛	+⅛	7.64
Halifax 10⅞ 97 £	100	104	104⅜		6.32
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
15¼pc 1996‡‡	14.96	6.16	101$\frac{31}{32}$	-⅛	108$\frac{11}{32}$	101$\frac{11}{32}$
Exch 13¼pc 1996‡‡	13.01	6.12	101$\frac{27}{32}$		106⅝	101$\frac{27}{32}$
[illegible]						

Trea 6½pc 2005‡‡ 6.00 7.58 108¼ +⅛ 108$\frac{31}{32}$ 97⅞; 7½pc 2006‡‡ 7.58 1.61 99$\frac{1}{32}$ +⅛ 101$\frac{19}{32}$ 94$\frac{13}{32}$; Index-Linked (b) 2pc '96 (67.9) – 2.14 216$\frac{1}{32}$ +⅛ 218½ 203⅝; [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

وکزامن الآصل

CURRENCIES AND MONEY

MARKETS REPORT

Franc slips as EMU talk frays market nerves

By Philip Gawith

It was a day of more talk than action on the foreign exchanges yesterday, with the French franc emerging as the main victim of a renewed bout of comments from senior German officials about the possibility of a delay to the European single currency project.

The lira, by contrast, benefited from market optimism about the early formation of a new government, followed by a period of political stability. It finished in London at L1,061 against the D-Mark from L1,066. The franc closed at FFr3.444 against the D-Mark from FFr3.439.

The dollar remained confined to recent ranges, closing at DM1.4782, from DM1.4725, and at Y106.965, Y106.555.

Sterling was a beneficiary of the generally weaker D-Mark, with little evidence of market nerves ahead of the release of the Scott report tomorrow. It closed at DM2.2666, from DM2.2541. It was also firmer against the dollar, closing at $1.5334, from $1.5309. The trade weighted index closed at 84.2, up from a historic low of 82.2 reached last November.

■ With little dollar action to focus on, markets were reduced to a relentless diet of EMU news. Mr Hans Tietmeyer, the Bundesbank president, set the ball rolling when he told a seminar in Frankfurt that "a delay (of currency union) is less problematic than later derailment."

He accepted the logic that there would be little point to monetary union without Germany and France, but said this did not imply the opposite. A "go-it-alone" effort from France and Germany would, he said, discriminate against other countries which qualified in terms of the Maastricht criteria.

Mr Yves-Thibault de Silguy, the EU commissioner responsible for the single currency, took a different view saying that delaying the introduction of the Euro "would be the safest way to doom it to failure." He received some support from Mr Juergen Stark, state secretary to the German finance ministry, who said that it would be wrong to either soften the convergence criteria, or delay the start. He said the history of the European integration process had been for a small number of countries to start a project which others then followed.

Mr Tony Norfield, currency economist at ABN AMRO bank in London, said the Bundesbank and German finance ministry "are essentially arguing for a delay, but doing it in a diplomatic way."

He said the price action yesterday showed that "the franc is still the weak link in the EMU chain." He said the French would clearly welcome a weaker franc, but only in the context of all the D-Mark bloc currencies falling together. Both sterling and the dollar capitalised on their status as non EMU currencies, rallying more against the franc than the D-Mark.

■ One theory for the fairly static performance of the dollar recently is that speculative interest has shifted away from currency markets into the US equity market. Until speculative trades return, more of the same is predicted.

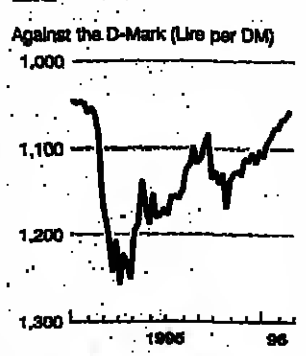
While there has been disappointment at the dollar's inability to rally above DM1.50, some analysts believe it has done quite well, especially considering developments in world interest rate markets. Mr Mike Rosenberg, head of fixed income and currency research at Merrill Lynch in New York, points out that the spread between two year bonds in the US and Germany has narrowed from 160 basis points in the US's favour to only 110 points over the past three weeks.

Further out on the yield curve, German ten year bunds are now yielding 6.12 per cent, compared to 5.77 per cent at the end of January, while US yields have been largely static. Mr Rosenberg said the dollar's performance suggested the markets did not believe the recent run-up in German yields was sustainable. There is quite wide agreement among analysts that a dollar rally against the D-Mark is unlikely without the yield differential between US and German bonds first trending in the US's favour.

Mr Rosenberg said the strong rally in the D-Mark between mid-1994 and mid-1995 correlated almost perfectly with the sharp drop in M1 and M3 money supply growth in Germany. Although these trends have since reversed, he said he expected German interest rates to fall further, with the D-Mark easing to about DM1.55-60, over the next six months, against the dollar.

Lira

Against the D-Mark (Lire per DM)



Source: FT Extel

■ Pound in New York

Feb 13	—Latest—	— Prev. close —
£ spot	1.5345	1.5320
1 mth	1.5333	1.5278
3 mth	1.5310	1.5255
1 yr	1.5187	1.5135

■ OTHER CURRENCIES

Feb 13	£	$
Czech Rp	41.4309 - 41.4678	27.0250 - 27.0360
Hungary	217.272 - 217.462	141.730 - 141.780
Iran	4601.40 - 4599.00	3000.00 - 3000.00
Kuwait	0.4585 - 0.4592	0.2991 - 0.2994
Poland	3.9046 - 3.9112	2.5470 - 2.5500
Russia	7303.98 - 7304.74	4762.00 - 4765.00
U.A.E.	5.6304 - 5.6338	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9387	+0.0694	303 - 471	15.9613	15.8462	15.9087	2.3	15.8262	2.8	-	-	108.2
Belgium	(BFr)	46.6100	+0.2627	833 - 367	46.6670	46.3450	46.5	2.8	46.275	2.9	45.375	2.6	108.3
Denmark	(DKr)	8.7668	+0.0477	542 - 733	8.7771	8.7187	8.7581	1.7	8.7308	1.7	8.6308	1.6	109.4
Finland	(FM)	7.0584	-0.0006	583 - 644	7.0890	7.0240	7.054	0.7	7.0459	0.7	-	-	84.1
France	(FFr)	7.8043	+0.0539	007 - 078	7.8144	7.7530	7.7923	1.8	7.7706	1.7	7.6847	1.5	108.0
Germany	(DM)	2.2666	+0.0126	655 - 677	2.2703	2.2528	2.2614	2.7	2.2507	2.8	2.2073	2.6	110.5
Greece	(Dr)	373.521	+1.968	040 - 002	374.002	371.283	-	-	-	-	-	-	68.0
Ireland	(I£)	0.9742	+0.002	733 - 750	0.9760	0.9718	0.9732	1.2	0.9718	1.1	0.9661	0.8	97.8
Italy	(L)	2403.99	+1.27	221 - 577	2410.85	2386.95	2410.89	-3.4	2424.89	-3.5	2476.99	-3.0	73.8
Luxembourg	(LFr)	46.6100	+0.2627	833 - 367	46.6610	46.3450	46.5	2.8	46.275	2.8	45.375	2.6	108.3
Netherlands	(Fl)	2.5385	+0.0152	074 - 396	2.5402	2.5223	2.5324	2.9	2.5189	3.1	2.4677	2.8	108.5
Norway	(NKr)	9.8970	+0.0457	898 - 042	9.9053	9.8303	9.8903	0.8	9.8762	0.8	9.8169	0.8	99.1
Portugal	(Es)	235.484	+1.432	331 - 638	235.638	234.029	235.999	-2.2	236.814	-2.3	-	-	95.3
Spain	(Pta)	190.755	+1.052	644 - 866	190.866	189.714	191.2	-2.8	192.02	-2.7	196.245	-2.4	82.1
Sweden	(SKr)	10.6690	+0.0231	561 - 000	10.6980	10.5902	10.5714	-0.2	10.6747	-0.2	10.6953	-0.1	85.0
Switzerland	(SFr)	1.8493	+0.0094	480 - 505	1.8512	1.8372	1.8425	4.4	1.8295	4.3	1.7794	3.8	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	94.2
Ecu	-	1.2331	+0.0056	323 - 338	1.2339	1.2267	1.2317	1.4	1.2285	1.5	1.2158	1.4	-
SDR†	-	1.048600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5332	+0.0026	327 - 336	1.5355	1.5273	-	-	-	-	-	-	-
Brazil	(R$)	1.5029	+0.0051	023 - 033	1.5051	1.4940	-	-	-	-	-	-	-
Canada	(C$)	2.1033	+0.0026	024 - 042	2.1065	2.0957	2.1017	0.8	2.0990	0.8	2.0871	0.8	83.9
Mexico	(New Peso)	11.6002	+0.0928	895 - 109	11.8192	11.5097	-	-	-	-	-	-	-
USA	($)	1.5334	+0.0025	330 - 338	1.5358	1.5275	1.5322	0.9	1.5301	0.9	1.5178	1.0	96.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0357	+0.0058	345 - 369	2.0380	2.0204	2.0378	-1.1	2.0418	-1.2	2.0605	-1.2	88.5
Hong Kong	(HK$)	11.8566	+0.0198	527 - 604	11.8748	11.8122	11.8487	0.8	11.8353	0.7	11.7898	0.6	-
India	(Rs)	56.3395	+0.2278	764 - 025	56.6020	56.2320	-	-	-	-	-	-	-
Israel	(Shk)	4.7702	+0.0122	659 - 750	4.7917	4.7583	-	-	-	-	-	-	-
Japan	(Y)	164.020	+0.9	084 - 117	164.270	163.140	163.27	5.5	161.755	5.5	155.62	5.1	136.1
Malaysia	(M$)	3.9048	+0.0075	030 - 065	3.9097	3.8900	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2776	+0.0051	762 - 790	2.2824	2.2693	2.2812	-1.9	2.2887	-1.9	2.3182	-1.8	106.1
Philippines	(Peso)	40.1291	+0.0873	420 - 162	40.2182	40.0420	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7510	+0.0093	492 - 528	5.7597	5.7295	-	-	-	-	-	-	-
Singapore	(S$)	2.1709	+0.007	695 - 722	2.1732	2.1608	-	-	-	-	-	-	-
South Africa	(R)	5.5927	+0.0096	901 - 953	5.6018	5.5731	-	-	-	-	-	-	-
South Korea	(Won)	1194.60	+2.83	421 - 498	1196.39	1188.31	-	-	-	-	-	-	-
Taiwan	(T$)	42.1264	+0.0818	115 - 412	42.1884	41.9558	-	-	-	-	-	-	-
Thailand	(Bt)	38.7567	+0.0645	312 - 821	38.8170	38.6230	-	-	-	-	-	-	-

† Rates for Feb 10 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3944	+0.0411	919 - 971	10.4030	10.3540	10.3784	1.8	10.3444	1.9	10.2244	1.6	106.2
Belgium	(BFr)	30.3965	+0.121	870 - 060	30.4060	30.2900	30.3465	2.0	30.2465	2.0	29.9015	1.6	108.1
Denmark	(DKr)	5.7185	+0.0218	170 - 200	5.7200	5.6979	5.7143	0.9	5.706	0.9	5.726	+0.1	109.7
Finland	(FM)	4.6031	+0.008	003 - 058	4.9155	4.5877	4.5986	1.2	4.5901	1.1	4.5736	0.9	83.1
France	(FFr)	5.0885	+0.0268	865 - 905	5.0920	5.0670	5.0854	1.0	5.079	0.9	5.06	0.6	108.9
Germany	(DM)	1.4782	+0.0057	778 - 785	1.4786	1.4726	1.4759	1.9	1.4708	2.0	1.4535	1.7	110.1
Greece	(Dr)	243.590	+0.88	340 - 840	243.840	242.670	245.115	-7.5	248.215	-7.6	262.89	-7.9	65.5
Ireland	(I£)	1.5741	-0.0006	731 - 751	1.5773	1.5711	1.5748	-0.3	1.575	-0.2	1.568	0.4	-
Italy	(L)	1567.75	-1.78	700 - 850	1574.00	1566.75	1573.4	-4.3	1584.85	-4.4	1632.25	-4.1	73.0
Luxembourg	(LFr)	30.3965	+0.121	970 - 060	30.4050	30.2900	30.3445	2.1	30.2585	1.8	29.9515	1.5	108.1
Netherlands	(Fl)	1.6555	+0.0072	552 - 557	1.6557	1.6485	1.6524	2.2	1.648	2.3	1.6238	1.9	108.2
Norway	(NKr)	6.4543	+0.0181	513 - 573	6.4635	6.4240	6.452	0.4	6.4438	0.7	6.4268	0.4	98.2
Portugal	(Es)	153.570	+0.88	510 - 630	153.630	152.970	153.945	-2.8	154.715	-3.0	158.32	-3.1	95.4
Spain	(Pta)	124.400	+0.48	360 - 440	124.440	123.950	124.795	-3.8	125.58	-3.6	129.02	-3.7	81.9
Sweden	(SKr)	6.9581	+0.0034	531 - 631	6.9788	6.9226	6.9752	-2.9	7.0046	-2.7	7.1421	-2.6	84.3
Switzerland	(SFr)	1.2060	+0.0041	055 - 065	1.2065	1.2005	1.2024	3.9	1.1955	3.5	1.1717	2.8	113.2
UK	(£)	1.5334	+0.0025	330 - 338	1.5358	1.5275	1.5322	0.9	1.5301	0.8	1.5178	1.0	93.4
Ecu	-	1.2436	+0.0036	432 - 440	1.2480	1.2432	1.2439	+0.3	1.2443	-0.2	1.2449	-0.1	-
SDR†	-	0.68460	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.99989	-	-	-	-	-	-	-
Brazil	(R$)	0.9801	+0.0017	800 - 801	0.9801	0.9800	-	-	-	-	-	-	-
Canada	(C$)	1.3717	-0.0006	714 - 719	1.3734	1.3712	1.3719	-0.1	1.372	+0.1	1.377	+0.4	82.9
Mexico	(New Peso)	7.5850	+0.048	600 - 700	7.5750	7.5600	7.5673	-0.4	7.5705	-0.3	7.5758	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3275	+0.0016	271 - 280	1.3280	1.3270	1.3295	-1.8	1.333	-1.7	1.3517	-1.8	89.6
Hong Kong	(HK$)	7.7322	+0.0001	317 - 327	7.7327	7.7317	7.7329	+0.1	7.7347	+0.1	7.7617	-0.4	-
India	(Rs)	36.7350	+0.21	100 - 600	36.9950	36.7100	36.885	-4.8	37.18	-5.0	38.66	-5.2	-
Israel	(Shk)	3.1109	+0.0044	085 - 132	3.1335	3.1085	-	-	-	-	-	-	-
Japan	(Y)	106.965	+0.41	930 - 000	107.030	106.600	106.55	4.7	105.72	4.7	102.52	4.2	138.9
Malaysia	(M$)	2.5465	+0.0007	460 - 470	2.5497	2.5460	2.5474	-0.4	2.5535	-1.1	2.577	-1.2	-
New Zealand	(NZ$)	1.4852	+0.0009	848 - 859	1.4859	1.4848	1.4883	-2.5	1.4941	-2.4	1.5187	-2.3	-
Philippines	(Peso)	26.1700	+0.02	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0002	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4157	+0.0022	152 - 182	1.4163	1.4137	1.4122	3.0	1.4062	2.7	1.3807	2.5	-
South Africa	(R)	3.6473	+0.0003	465 - 480	3.6480	3.6465	3.6761	-3.3	3.7275	-8.8	3.9508	-8.3	-
South Korea	(Won)	779.050	+0.55	000 - 100	779.300	778.100	782.05	-4.8	785.55	-3.3	804.05	-3.2	-
Taiwan	(T$)	27.4725	+0.0075	700 - 750	27.4750	27.4660	27.4925	-0.9	27.5325	-0.9	-	-	-
Thailand	(Bt)	25.2750	-	650 - 850	25.2850	25.2640	25.3737	-4.7	25.5775	-4.8	26.46	-4.7	-

† SDR rate per $ for Feb 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 12: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis rate	Repo rate
Belgium	3½	3¼	3¼	3¼	3¼	7.00	3.00	-
week ago	3⅝	3¼	3¼	3⅜	3⅞	7.00	3.00	-
France	4⅝	4¼	4⅝	4⅞	4⅞	3.90	-	5.60
week ago	4¾	4½	4½	4⅞	4½	4.05	-	5.60
Germany	3⅜	3⅜	3¼	3¼	3¼	5.00	3.00	3.30
week ago	3½	3⅜	3¼	3¼	3¼	5.00	3.00	3.30
Ireland	5⅛	5⅛	5⅛	5⅛	5¼	-	-	6.25
week ago	5	5⅛	5⅛	5¼	5¼	-	-	6.25
Italy	10	9½	9½	9½	9⅞	-	8.00	9.72
week ago	9¾	9½	9¾	9⅜	8⅞	-	9.00	9.72
Netherlands	3⅛	3⅛	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	3⅛	3⅛	3⅛	3	3⅛	-	3.00	3.30
Switzerland	1⅝	1⅝	1⅝	1¾	1⅞	5.00	1.50	-
week ago	1⅞	1⅝	1¾	1⅞	3⅜	5.00	1.50	-
US	5⅜	5¼	5⅜	5⅛	4⅞	-	5.00	-
week ago	5⅝	5¼	5⅜	5⅛	5	-	5.00	-
Japan	⅞	½	½	⅞	⅞	-	0.50	-
week ago	⅝	½	⅞	⅞	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅛	5⅛	5	-	-	-
week ago	-	5⅜	5⅛	5⅛	5⅛	-	-	-
US Dollar CDs	-	5.10	4.97	4.88	4.74	-	-	-
week ago	-	5.10	5.03	4.95	4.84	-	-	-
ECU Linked Ds	-	4⅞	4⅞	4⅞	4⅞	-	-	-
week ago	-	4⅞	4⅞	4⅞	4⅞	-	-	-
SDR Linked Ds	-	3⅞	3⅞	3⅞	3⅞	-	-	-
week ago	-	3⅞	3⅞	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3¼
Danish Krone	4⅝ - 4½	4½ - 4⅜	4⅜ - 4⅜	4⅜ - 4¼	4⅝ - 4⅜	4⅝ - 4⅜
D-Mark	3⅝ - 3½	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜
Dutch Guilder	3⅜ - 3⅛	3⅜ - 3⅛	3⅛ - 3⅛	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛
French Franc	4⅜ - 4⅛	4¼ - 4⅛	4⅜ - 4⅜	4⅜ - 4¼	4⅜ - 4⅜	4⅝ - 4⅜
Portuguese Esc.	8⅜ - 7¾	8⅜ - 8⅜	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞
Spanish Peseta	9⅜ - 8⅞	9⅜ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅜	8⅝ - 8½	8⅞ - 8⅞
Sterling	6⅞ - 6⅜	6⅜ - 8¼	8⅜ - 6¼	6⅜ - 8⅛	6⅛ - 6	6⅛ - 6
Swiss Franc	1⅜ - 1¼	1⅞ - 1⅝	1⅝ - 1½	1⅞ - 1⅝	1¾ - 1⅝	2 - 1⅞
Can. Dollar	5¼ - 5⅛	5⅛ - 5	5⅛ - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞
US Dollar	5⅝ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅛	5⅛ - 5	5 - 4⅞	5 - 4⅞
Italian Lira	10⅛ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅜	9⅞ - 9⅜	9⅞ - 9⅜
Yen	⅞ - ⅝	⅞ - ⅝	⅝ - ½	⅝ - ½	⅝ - ½	⅝ - ⅝
Asian $Sing	1⅝ - 1	1⅝ - 1⅛	1⅝ - 1½	2⅛ - 2	2⅜ - 2⅛	2⅜ - 2⅛

Short term rates are call for the US Dollar and Yen, others two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.57	95.51	-0.04	95.57	95.51	22,871	50,312
Jun	95.69	95.64	-0.04	95.71	95.63	11,090	58,223
Sep	95.69	95.65	-0.03	95.71	95.64	8,460	47,426

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.79	96.77	-0.01	96.80	96.76	11835	177994
Jun	96.85	96.83	-0.01	96.86	96.82	21401	186487
Sep	96.74	96.72	-0.01	96.75	96.71	12124	171029
Dec	96.52	96.50	-0.02	96.54	96.48	14837	151218

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.55	90.57	+0.06	90.63	90.35	10286	41474
Jun	91.15	91.17	-0.05	91.22	91.06	3728	31256
Sep	91.40	91.46	-0.09	91.48	91.40	874	18063
Dec	91.45	91.49	-0.10	91.49	91.42	668	11263

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.28	98.26	+0.01	98.30	98.22	3422	22045
Jun	98.10	98.08	+0.03	98.15	98.06	4282	23049
Sep	97.88	97.86	+0.04	97.92	97.87	2015	12807
Dec	97.58	97.60	+0.04	97.64	97.58	786	8473

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.46	95.46	-	95.49	95.46	1095	8191
Jun	95.64	95.61	-	95.64	95.60	881	4846
Sep	95.63	95.58	+0.01	95.65	95.59	243	2958
Dec	95.44	95.42	+0.01	95.44	95.42	42	3118

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9050	0.23	0.83	1.24	0.18	0.16	0.26
9075	0.12	0.64	1.05	0.30	0.22	0.34
9100	0.05	0.48	0.88	0.48	0.32	0.40

Est. vol. total, Calls 960 Puts 400. Previous day's open int., Calls 21247 Puts 17261

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.81	16.74	4.862	2.090	5158	5.445	21.23	505.0	409.1	22.89	3.967	2.145	4.512	3.289	351.9	2.645
Denmark	(DKr)	53.18	10	8.901	2.584	1.111	2742	2.895	11.29	268.5	217.5	12.17	2.109	1.141	2.398	1.748	187.0	1.406
France	(FFr)	59.73	11.24	10	2.904	1.248	3080	3.252	12.68	301.8	244.4	13.67	2.369	1.281	2.695	1.964	210.1	1.580
Germany	(DM)	20.57	3.869	3.444	1	0.430	1061	1.120	4.368	103.9	84.18	4.709	0.816	0.441	0.928	0.677	72.37	0.544
Ireland	(I£)	47.85	9.002	8.012	2.326	1	2468	2.606	10.16	241.7	195.8	10.95	1.898	1.027	2.159	1.574	168.4	1.266
Italy	(L)	1.939	0.365	0.325	0.094	0.041	100.	0.106	0.412	9.792	7.933	0.444	0.077	0.042	0.087	0.064	6.822	0.051
Netherlands	(Fl)	18.36	3.455	3.075	0.893	0.384	947.2	1	3.900	92.75	75.14	4.204	0.729	0.394	0.829	0.604	64.62	0.486
Norway	(NKr)	47.10	8.859	7.885	2.290	0.984	2429	2.564	10	237.8	192.7	10.78	1.868	1.010	2.125	1.549	165.7	1.246
Portugal	(Es)	19.80	3.725	3.316	0.963	0.414	1021	1.078	4.204	100.	81.01	4.533	0.785	0.425	0.893	0.651	69.67	0.524
Spain	(Pta)	24.44	4.598	4.092	1.188	0.511	1261	1.331	5.190	123.4	100.	5.595	0.970	0.524	1.103	0.804	86.00	0.647
Sweden	(SKr)	43.68	8.217	7.314	2.124	0.913	2253	2.379	9.276	220.6	178.7	10	1.733	0.937	1.971	1.437	153.7	1.156
Switzerland	(SFr)	25.21	4.742	4.221	1.226	0.527	1300	1.373	5.353	127.3	103.1	5.771	1	0.541	1.137	0.829	88.70	0.667
UK	(£)	46.61	8.768	7.804	2.266	0.974	2404	2.538	9.897	235.4	190.7	10.67	1.849	1	2.103	1.533	164.0	1.233
Canada	(C$)	22.18	4.169	3.711	1.078	0.463	1143	1.207	4.706	111.9	90.68	5.074	0.879	0.476	1	0.729	77.98	0.586
US	($)	30.40	5.720	5.091	1.478	0.635	1568	1.656	6.456	153.8	124.4	6.960	1.206	0.652	1.372	1	107.0	0.804
Japan	(Y)	28.42	5.346	4.759	1.382	0.594	1466	1.548	6.035	143.5	116.3	6.506	1.127	0.610	1.282	0.935	100.	0.752
Ecu		37.90	7.111	6.329	1.838	0.790	1950	2.058	8.027	190.9	154.7	8.654	1.500	0.811	1.706	1.243	133.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6788	0.6793	+0.0005	0.6804	0.6783	19,348	73,887
Jun	0.6818	0.6822	+0.0002	0.6822	0.6818	227	3,765
Sep	-	0.6847	-	-	-	8	1,402

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9405	0.9406	+0.0002	0.9422	0.9393	18,189	74,128
Jun	0.9504	0.9507	+0.0007	0.9508	0.9504	267	5,458
Sep	-	0.9610	-	-	-	2	733

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8321	0.8343	+0.0013	0.8360	0.8320	13,487	41,904
Jun	0.8398	0.8404	+0.0006	0.8398	0.8398	97	1,823
Sep	-	0.8463	+0.0007	0.8463	-	5	181

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5298	1.5338	+0.0050	1.5338	1.5270	31,355	42,498
Jun	1.5272	1.5294	+0.0038	1.5300	1.5270	3,896	4,304
Sep	-	1.5270	+0.0050	1.5270	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Interbank Sterling, Sterling CDs, Treasury Bills, Bank Bills, Local authority deps., Discount Market deps [illegible]

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.90	93.88	-	93.90	93.88	6721	76662
Jun	94.21	94.20	+0.01	94.22	94.18	14298	90037
Sep	94.19	94.19	+0.01	94.21	94.17	9039	62072
Dec	93.99	93.98	+0.02	94.01	93.97	5227	48292
Mar	93.71	93.70	+0.03	93.71	93.68	4025	31958

Also traded on APT. All Open interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.18	0.60	0.58	0.03	0.05	0.14
9400	0.03	0.30	0.41	0.15	0.10	0.22
9425	0	0.15	0.27	0.37	0.20	0.33

Est. vol. total, Calls 3519 Puts 720. Previous day's open int., Calls 145504 Puts 148501

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williman Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Feb 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.101	+0.021	-2.09	4.91	15
Netherlands	2.15214	2.11721	+0.00088	-1.62	4.42	12
Belgium	39.3960	38.6851	+0.0094	-1.80	4.07	8
Austria	13.4383	13.2971	+0.0031	-1.05	3.81	8
Germany	1.91007	1.89100	+0.00046	-1.00	3.78	10
Portugal	195.792	196.440	+0.106	0.33	2.38	-2
Denmark	7.28580	7.31526	+0.00044	0.40	2.31	-3
France	6.40608	6.50506	+0.00806	1.55	1.18	-13
Ireland	0.792214	0.813791	-0.000417	2.72	0.00	-18
NON ERM MEMBERS						
Greece	292.867	311.529	+0.143	6.37	-3.43	-
Italy	2106.15	2011.27	-4.88	-4.50	7.57	-
UK	0.786652	0.835860	-0.001679	6.23	-3.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.490	3.82	-	4.18	0.01	0.18	0.59
1.500	2.82	2.99	3.43	0.01	0.32	0.83
1.510	1.86	2.25	2.75	0.03	0.53	1.15
1.520	0.97	1.58	2.18	0.14	0.86	1.48
1.530	0.31	1.03	1.67	0.38	1.32	1.93
1.540	0.06	0.63	1.25	1.10	1.74	2.51

Previous day's vol., Calls 2,426 Puts 3,747 . Prev. day's open int., Calls 183,251 Puts 219,830

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.83	94.84	+0.01	94.85	94.83	24,493	393,658
Jun	95.22	95.23	+0.01	95.24	95.22	39,385	446,179
Sep	95.39	95.39	+0.01	95.41	95.37	31,361	329,389

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.33	95.34	+0.01	95.34	95.33	156	8,813
Jun	95.66	95.67	+0.01	95.67	95.66	206	7,687
Sep	95.82	95.82	+0.02	95.82	95.82	26	733

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	Mar	Apr	Jun	PUTS Feb	Mar	Apr	Jun
9675	0.03	0.06	0.14	0.18	0.01	0.04	0.08	0.11
9700	0	0.01	0.03	0.07	0.23	0.24	0.21	0.24
9725	0	0	0	0.02	0.48	0.48	0.44	0.44

Est. vol. total, Calls 6581 Puts 3450. Previous day's open int., Calls 321324 Puts 298174

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.13	0.14	0.18	0.02	0.05	0.53
9850	0.02	0.07	0.08	0.16	0.26	0.70
9875	0	0.03	0.04	0.40	0.49	0.81

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9850 Puts 4272

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.02.96 Pool purchase price £/MWh	Final Prices for Trading on 17.01.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.26	9.01	9.01

NOTICE OF EARLY REDEMPTION

To the Holders of
Mortgage Securities (No.2) PLC
(the "Issuer")
£150,000,000
Mortgage Backed Floating Rate Notes due 2028
(the "Notes")

NOTICE IS HEREBY GIVEN that, all of the outstanding Notes will be redeemed by the Issuer on March 15, 1996 (the "Optional Redemption Date"), pursuant to the Terms and Conditions of the Notes. The Issuer will redeem the Notes at their principal amount, plus accrued interest to the Optional Redemption Date.

Payment of principal and interest will be made against surrender of the Notes or Coupons at the specified office of any of the paying Agents listed below.

Principal Paying Agent	Paying Agent
Morgan Guaranty Trust Company of New York	Banque Internationale à Luxembourg S.A.
60 Victoria Embankment	2 Boulevard Royal
London EC4Y 0JP	L-2953 Luxembourg

MORTGAGE SECURITIES (NO.2) PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent Dated: 14th February, 1996

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Ransom (Wm)		57	—	60	44	8.65	4.8	13.0
Schering DM		[illegible]	+½	[illegible]	£47¼	3,172	1.5	–
Scotia		688	+1	710	333	452.5	–	–
SmithKline Beecham A		728	+3	727	477	10,188	2.3	21.8
Equity Units		720½	+2½	731	450	9,438	2.3	21.4
Zeneca		1252	+9	1337½	840	11,858	3.8	25.5

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34½	£29	2,036	2.8	14.9
Barlow		£10	-⅛	£10⅛	£5⅝	2,094	1.5	ϕ
Gold Flds Prop R		102	-1	170	136	16.6	6.8	7.2
NS Props.		96	—	96	85	3.82	12.0	–
SASOL		541	-13	648	475	3,168	2.6	–
SA Brews		£24¼	+⅛	£26⅛	£14⅜	7,187	1.5	32.5
Standard Bank		£31⅝	+⅛	£32⅛	£20⅞	3,787	1.5	21.6
Tiger Oats		1248	—	1270	775	1,677	1.5	ϕ
Tongaat-Hulett		1167	-18	1247	636	1,086	1.7	21.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xδ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

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FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson CrossGreatlie Investment Co

LGT Asset Management Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

CMI Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

Quilter Intl Mngt (IoM) Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Eagle Star - Global Assets Fund

Elysian Global SICAV

EquiFund-Wright National Eqty Fd

[illegible]

Nikko Capital Management

Nomura Global Fund

PRICOA Worldwide Inv Portfolio Sicav

S-E-Banken Luxembourg SA

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE Mid 250 index hits new all-time high

By Steve Thompson, UK Stock Market Editor

There was no evidence of any lack of confidence in the UK equity market yesterday, with share prices maintaining their form throughout the trading session and closing only slightly below their best levels.

The driving force behind UK equities, and the rest of Europe's stock markets, once again came from the US, where the overnight surge through the 5,600 level on the Dow Jones Industrial Average provided the initial impetus.

At the close, the FT-SE 100 index showed a rise of 21.0 at 3,747.6. The market's confidence was even more pronounced in the second-liners, where the weight of buying power drove the FT-SE Mid 250 index to an all-time closing high of 4,160.3, up 8.1. The Mid 250 hit its previous peak in February 1994.

Although Wall Street was looking increasingly volatile as the US session wore on, London marketmakers adopted a relatively relaxed view of potential short term trends.

"London has underperformed Wall Street by a long way this year and that provides a comfortable cushion," said one senior marketmaker. He said last week's retreat by the FT-SE 100 had shaken out most of the loose holders in London.

"There was no evidence of any large-scale sellers around when the market was accelerating," he said, adding that the short term trend in London was upwards.

The head of marketmaking at one of the European securities houses said London had begun to falter at news of the disappointing book to bill ratio news from the US, but had then attracted a fresh bout of buying interest as Wall Street recovered from its initial weakness.

"It seems the whole world is looking for a big setback on the Street, but every time the Dow is pressured, it fights back and demolishes the bears," he said, although he warned that 3,780 on the Footsie would prove a stumbling block.

There could be more problems for the market this morning with news of the Bank of England's inflation report, as well as a host of economic data on unemployment, average earnings and unit wage costs.

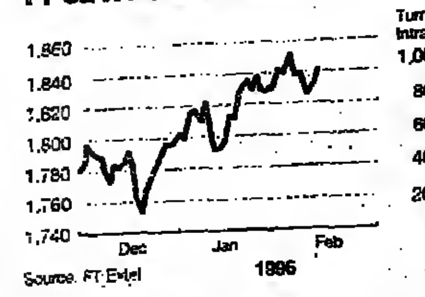
Sentiment in London was positive from the outset, with the Footsie kicking off 15 points ahead and remaining well bid for the rest of the session in spite of Wall Street's opening slide, which saw the Dow some 30 points down before embarking on a determined recovery.

There was plenty of excitement in individual shares, with Reuters topping the FT-SE 100 performance league and posting a near 5 per cent gain in the wake of top of the range results and confirmation that the company intends to return cash to shareholders; the market was banking on either a share buyback or special dividend.

In contrast, BP was a substantial disappointment, the stock price slipping back as news of an increased dividend was offset by worries about continued pressure on the group's chemicals business and by the company's cautious outlook on prospects for the oil price.

The build-up of activity in equities was clearly demonstrated by turnover levels; by 6pm market turnover had reached 922.3m shares. Retail business on Monday was worth £1.55bn.

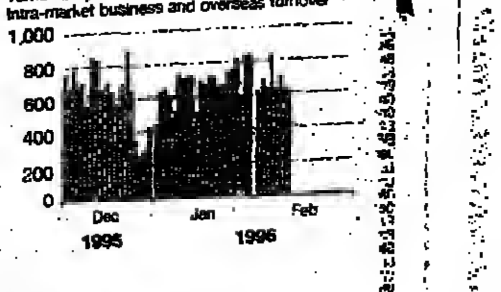
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3747.6	+21.0
FT-SE Mid 250	4160.3	+8.1
FT-SE-A 350	1866.7	+8.9
FT-SE-A All-Share	1841.65	+8.32
FT-SE-A All-Share yield	3.73	(3.73)
FT Ordinary index	2748.7	+12.4
FT-SE-A Non Fins p/e	17.16	(17.10)
FT-SE 100 Fut Mar	3753.0	+20.0
10 yr Gilt yield	7.58	(7.60)
Long gilt/equity yld ratio:	2.16	(2.16)

Best performing sectors

1. Paper, Pckg & Print .... +1.7
2. Extractive Inds .... +1.3
3. Media .... +1.2
4. Electronic & Elec .... +1.0
5. Electricity .... +0.9

Worst performing sectors

1. Chemicals .... -0.6
2. Retailers, Food .... -0.5
3. Distributors .... -0.4
4. Insurance .... -0.3
5. Engineering, Vehicles .... -0.1

Sun falls on Chubb worries

Sun Alliance tumbled sharply in afternoon trading as the rest of the market moved significantly higher.

There was a panicky slide with the shares off 18 at one point after word whipped through the market that Chubb, of the US, was severing its links with the group.

Both groups own a small stake in each other which gives exposure to premiums on either side of the Atlantic. Chubb is the source of nearly all of Sun's US Business. Merrill Lynch, which first heard of Chubb's unhappiness at an investment seminar it was hosting in New York, said the net loss of US premiums would be between £330m and £350m. And whereas there would be an offsetting gain back in the UK, it would not be so great.

Merrill started the ball rolling by selling Sun heavily, according to rival dealers. However, Sun carried out some swift damage limitation and, as analysts called the group for further information, the share price recovered to end only 6 off at 362p. Sun said its agreement with Chubb was being scaled down this year but not terminated.

Analyst Mr Charles Landa of SGST said: "Sun is trying to put a brave face on it but the Chubb business is of superb quality and has been consistently profitable." However, he added that at the current level the share price was already at a 10 per cent discount to asset value.

Foods pressured

Food retailers came under pressure on worries about margins after Argyll Group published a trading statement yesterday.

The company said gross margins are still "a little below last year". This prompted a retreat in the shares of 4 to 316p during trade of 3.9m.

A further decline was prevented by buying at the lower levels by brokers who focused on the positive aspects of the statement, such as news that total sales for the 17-week period to February 10 were up 14.5 per cent and sales in existing stores rose by 8.3 per cent.

BZW is firmly in the camp of the bulls. Analysts at the investment bank saw it as a "good and solid trading statement" and said they remain buyers of the stock.

However, BZW made a modest downgrade to its current year profits estimate, reducing its forecast by £8m to £400m to reflect the continuing price war among petrol retailers. Petrol sales account for around 3.5 per cent of total group profits at Argyll.

The impact of the petrol price war has also been felt by other food retailers, and BZW also adjusted its forecast for Asda Group, lowering it by £5m to £295m, and also cut its estimate for J. Sainsbury, by £5m to £765m, to reflect such concerns.

Those downgrades, together with worries about margins in the wake of the Argyll statement, cast a shadow over other leading stocks in the sector.

Sainsbury relinquished 3 to 382p in trade of 6.1m, although two-way business in Asda left the shares unchanged at 105p. *Kwik Save lost 6 to 492p*, and Tesco eased 1¼ to 280½p with 10m dealt.

Reuters active

Reuters, the news and financial information group, was the star in the Footsie firmament as hopes of a share buyback returned with a vengeance.

Full-year profits of £599m were above the range of analysts' forecasts. But the real catalyst for the share price rise of 31 to 675p was the comment by Mr Peter Job, the chief executive, that he was "actively exploring" ways of returning surplus cash to *shareholders*.

This was *taken* as a not-very-coded message that a buyback was on the cards. Mr Brian Newman, a Reuters specialist from Henderson Crosthwaite, said the company could well return £500m of its £850m net cash pile to shareholders this year.

He said that would equate to around 5 per cent of the estimated cash pile total by the end of the year. In 1993, Reuters had net cash of £630m and bought in £350m of its shares, around 5.8 per cent of the group. However, after Reuters carried out its 1993 move, the rules were changed. Reuters has been talking to the tax *authorities recently to seek* clarification.

British Petroleum seemed to hit a ceiling yesterday as its final-quarter profits failed to excite the imagination.

The oil major's shares, driven forward by their expo*sure to Wall Street, reached an* all-time high in the morning and then dropped back to close 8½ down at 536½p.

Share weakness was partly an encapsulation of London's nervousness about the very sharp stock price moves seen in the US, where around 14 per cent of BP's equity is held.

The stock slid in spite of an increase in BP's dividend and figures in line with the range of forecasts. Analysts pointed to an unsustainably low tax charge which was flattering the figures, as well as company comments about oil prices.

And the shares were not helped by a lowering of stance from one of the company's three brokers, ABN Amro Hoare Govett turned neutral.

Meanwhile, there was some switching into Shell Transport, which reports tomorrow and which closed 13½ up at 881p.

BOC, the gases group, fell 14 to 929p, hit by first-quarter figures at the bottom end of market expectations and concerns about a slackening of demand in its US liquid gas business.

Worries about a possible downgrade caused Courtaulds to slip 5 to 414p.

Mining group RTZ moved *ahead 14 to 944p on belief* that it will not try to top Falconbridge's offer for Diamond Fields, of Canada.

Reed International sparked 18 higher to 1030p. SBC Warburg issued research arguing that Elsevier Science will not be hit by competition from the Internet, contrary to earlier claims in Barron's, the US financial journal.

Burmah Castrol added 28 at *1064½p after its 51 per cent* owned Indian subsidiary reported well received results.

Cairn Energy forged ahead 27 to 224p in response to encouraging news from its Bangladeshi oil field.

Superscape VR, the virtual reality group, jumped 75 to 539p in response to an agreement with IBM under which the computer giant will market and sell Superscape's software.

Granada Group shook off concerns about the impact of Friday's IRA bombing in London on its hotels businesses. The shares bounced 13 to 725p, with NatWest Securities reminding investors that it rates the shares a "buy".

News that conglomerate Trafalgar House has won a contract to engineer, supply and build Thailand's first integrated iron and steel works cheered the market. The shares improved 2 to 35½p, topping the list of the day's best performers in the FT-SE Mid 250 index. Total volume of 28m included a single trade of 15m which was done at *34p*.

Storehouse gained 6 at 305p following an upbeat presentation to brokers.

A two-way pull in Marks and Spencer brought volume of 8.3m as the shares edged a half-penny forward to 430½p.

UBS has turned more positive on the stock and yesterday took it off the sell list.

Cadbury Schweppes moved ahead 5 to 531p following a recommendation from ABN Amro Hoare Govett.

Anglo-French Channel tunnel operator Eurotunnel was friendless on continuing worries about its financial crisis. The shares shed 3 to 51p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7	Yr ago	*High	*Low
Ordinary Share	2748.7	2736.3	2727.7	2724.1	2738.6	2334.7	2788.2	2238.3
Ord. div. yield	3.81	3.82	3.84	3.84	3.82	4.50	4.73	3.78
P/E ratio net	16.96	16.89	16.84	16.84	16.92	17.82	21.33	15.35
P/E ratio nil	16.75	16.68	16.63	12.62	16.71	16.94	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96, low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2748.0	2747.2	2743.2	2743.8	2744.6	2742.9	2742.7	2741.2	2750.0	2750.7	2740.3

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7	Yr ago
SEAQ bargains	31,795	32,314	30,926	31,581	29,586	23,517
Equity turnover (£m)†	-	1555.0	2003.7	1938.4	1798.0	1399.5
Equity bargains†	-	38,482	33,616	37,060	37,857	30,852
Shares traded (mil)†	-	622.2	643.0	703.7	626.1	624.8

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	571	Total Highs	136	Total contracts	37,218
Total Falls	630	Total Lows	42	Calls	20,614
Same	1,584			Puts	16,602

Feb. 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3748.0	3753.0	+20.0	3761.0	3735.0	12168	62753
Jun	3746.5	3757.0	+20.5	3749.0	3744.0	401	2220
Sep	-	3773.0	+20.0	-	-	0	267

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4170.0	+10.0	-	-	0	3311

FT-SE 100 INDEX OPTION (LIFFE) (*3750) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Feb	150	1	101	1	54½	3	18½	16½	2	54	1	104	1	154	1	204
Mar	163½	12	120½	18½	83½	32	53	51½	28½	79	14	117½	6	164	2	214
Apr	169½	28	132	40	100½	58	72	79	48½	106½	32½	140	19½	178	11½	220½
May	191½	43	154½	56½	124	75	94½	95½	70	121	49½	151	33½	186	22½	226½
Jun†	204½	52½			139	85½			87½	133½			61½	198		

Calls 5,199 Puts 3,452

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Feb	175	1	125½	1	76½	2	33	8½	6	31	1	75	1	125	½	175
Mar	183½	6	139	12	98½	21	64½	37	38	60	19½	91½	9	130	3½	174½
Apr	192½	25½	154½	37	119½	51	89	70	63	93½	42½	122½	27½	157	18½	195½
Jun			193½	64½			127½	96			77	143½			46½	210
Sept†			233½	91			170½	124½			119½	169½			81½	227½

Calls 6,027 Puts 8,726 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

* Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 12	% chg on day	Feb 9	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	[illegible]	-2.3	[illegible]	[illegible]	1.49	-	[illegible]	[illegible]
Regional Indices								
Africa (16)	3158.52	-4.3	3337.73	2701.83	2.83	35.52	3553.86	2222.74
Australasia (5)	2686.13	-1.6	2730.06	1912.06	2.16	41.23	2927.34	1831.05
North America (12)	2028.82	-1.4	2056.73	1403.43	0.86	61.23	2186.38	1382.43

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Feb 13	Day's chge%	Feb 12	Feb 9	Feb 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3747.6	+0.6	3726.6	3716.3	3708.4	3071.3	3.65	2.06	15.78	9.81	1502.02
FT-SE Mid 250	4160.3	+0.2	4152.2	4151.9	4149.8	3462.0	3.53	1.74	20.40	23.80	1648.09
FT-SE Mid 250 ex Inv Trusts	4167.1	+0.2	4159.4	4158.8	4156.7	3473.3	3.66	1.79	19.07	25.14	1652.70
FT-SE-A 350	1866.7	+0.5	1857.8	1853.7	1850.4	1535.4	3.78	1.89	16.58	6.12	1531.51
FT-SE-A 350 Higher Yield	1868.3	+0.6	1856.9	1852.4	1848.9	1565.4	4.61	1.62	14.91	6.55	1272.17
FT-SE-A 350 Lower Yield	1870.0	+0.3	1863.6	1860.0	1856.9	1505.2	2.90	2.29	18.82	5.69	1280.66
FT-SE SmallCap	2030.36	+0.1	2028.54	2025.50	2026.12	1718.56	3.09	1.82	22.18	3.85	1644.56
FT-SE SmallCap ex Inv Trusts	2003.72	+0.1	2001.84	1998.12	1997.38	1695.80	3.32	1.81	18.71	3.95	1631.87
FT-SE-A ALL-SHARE	1841.65	+0.5	1833.33	1829.38	1826.35	1518.21	3.73	1.88	16.90	5.85	1535.00

FT-SE Actuaries All-Share

	Feb 13	Day's chge%	Feb 12	Feb 9	Feb 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3304.22	+0.3	3293.56	3262.38	3226.91	2685.80	3.68	1.94	17.49	0.00	1390.44
12 Extractive Industries(6)	4294.99	+1.3	4240.12	4183.27	4214.07	3487.14	3.69	2.38	14.14	0.00	1231.59
15 Oil, Integrated(3)	3355.07	+0.1	3351.89	3319.04	3268.76	2695.42	3.61	1.88	17.46	0.00	1447.31
16 Oil Exploration & Prod(15)	2111.24	+0.7	2098.69	2101.89	2083.80	1943.95	2.33	1.46	36.75	0.00	1253.16
20 GEN INDUSTRIALS(278)	2025.81	+0.3	2019.39	2010.56	2010.98	1820.95	4.09	1.87	18.39	1.99	1088.73
21 Building & Construction(34)	1053.65	-0.1	1054.92	1050.93	1052.48	950.79	3.80	2.09	15.72	0.38	888.38
22 Building Matls & Merchs(29)	1887.85	+0.3	1881.38	1872.64	1878.07	1746.84	3.95	2.03	15.60	0.61	942.18
23 Chemicals(23)	2423.55	-0.6	2438.27	2432.78	2423.11	2180.93	4.05	1.88	16.43	0.91	1129.01
24 Diversified Industrials(21)	1767.64	+0.1	1765.21	1765.63	1757.89	1815.73	5.58	1.49	15.03	3.32	968.28
25 Electronic & Elect Equip(38)	2325.77	+1.0	2303.36	2274.93	2292.19	1675.95	3.11	1.95	20.58	2.04	1194.27
26 Engineering(71)	2258.80	+0.3	2252.19	2246.20	2244.33	1738.12	3.30	2.24	16.91	3.48	1353.97
27 Engineering, Vehicles(13)	2613.70	-0.1	2616.95	2606.17	2622.13	2124.26	3.92	1.26	25.32	0.23	1332.74
28 Paper, Pckg & Printing(28)	2663.49	+1.7	2619.77	2610.38	2601.81	2712.56	3.74	2.53	13.20	0.39	1092.68
29 Textiles & Apparel(18)	1465.80	+0.7	1456.04	1449.96	1473.80	1473.26	4.75	1.79	14.69	0.00	879.01
30 CONSUMER GOODS(81)	3680.03	+0.5	3641.75	3645.37	3629.69	2856.09	3.74	1.75	19.09	7.79	1330.90
32 Alcoholic Beverages(9)	2829.05	+0.5	2814.28	2805.48	2776.77	2562.96	4.30	1.67	17.42	28.48	1011.13
33 Food Producers(23)	2575.82	+0.3	2568.66	2565.61	2584.84	2356.69	4.16	1.73	17.33	4.53	1744.37
34 Household Goods(15)	2641.30	+0.1	2639.53	2632.80	2620.86	2553.97	3.62	2.15	16.11	1.96	992.44
36 Health Care(20)	1933.11	.....	1933.77	1942.84	1923.32	1616.66	2.66	1.77	28.71	2.09	1161.88
37 Pharmaceuticals(13)	5228.03	+0.8	5185.36	5210.46	5187.69	3509.68	3.13	1.69	23.61	0.05	1746.12
38 Tobacco(1)	4815.70	-0.1	4819.83	4798.75	4735.22	3731.03	4.98	1.94	12.94	0.00	1165.06
40 SERVICES(255)	2307.94	+0.5	2298.20	2295.33	2288.62	1857.90	3.00	2.09	19.93	12.94	1189.39
41 Distributors(32)	2597.85	-0.4	2607.06	2609.38	2608.47	2248.47	3.69	1.79	18.91	0.00	945.46
42 Leisure & Hotels(23)	2843.02	+0.8	2820.87	2821.60	2806.20	2115.34	2.93	1.94	21.97	104.50	1512.00
43 Media(46)	3759.46	+1.2	3713.42	3704.53	3707.90	2723.86	2.24	2.12	26.37	11.48	1346.75
44 Retailers, Food(15)	1924.57	-0.5	1935.20	1937.61	1930.45	1769.28	3.80	2.41	13.89	2.67	1206.77
45 Retailers, General(43)	1927.34	+0.5	1917.96	1917.77	1810.60	1533.29	3.06	2.24	16.13	5.57	1083.64
47 Breweries, Pubs & Rest.(24)	2972.82	+0.3	2962.72	2968.18	2947.66	2151.28	3.32	2.06	18.09	15.46	1417.42
48 Support Services(49)	2010.32	+0.4	2002.45	1999.50	1985.05	1477.10	2.34	2.52	21.19	2.39	1266.58
49 Transport(21)	2294.14	+0.4	2285.80	2284.95	2281.75	2211.96	3.78	1.39	23.76	3.84	943.71
60 UTILITIES(33)	2472.09	+0.7	2454.52	2442.45	2444.88	2393.64	5.02	2.01	12.38	27.33	1045.73
62 Electricity(12)	2775.87	+0.9	2748.97	2736.46	2739.87	2503.53	5.00	2.60	9.62	105.57	1343.94
64 Gas Distribution(2)	1610.16	+0.4	1603.76	1610.77	1607.69	2044.61	7.44	1.04	16.75	0.00	807.84
66 Telecommunications(7)	2030.36	+0.8	2014.99	1998.76	1996.26	1979.59	4.16	1.77	17.00	0.00	618.00
68 Water(12)	2105.69	+0.4	2097.33	2098.60	2112.26	1796.73	5.80	2.60	8.30	3.61	1141.89
69 NON-FINANCIALS(667)	1946.87	+0.5	1937.79	1932.57	1927.01	1644.21	3.76	1.93	17.16	7.57	1457.81
70 FINANCIALS(108)	2922.95	+0.4	2910.40	2909.78	2920.05	2141.42	3.87	2.32	13.89	0.62	1234.68
71 Banks, Retail(8)	4143.14	+0.7	4114.94	4116.64	4140.02	2809.21	3.61	2.60	13.28	0.00	1326.13
72 Banks, Merchant(6)	3493.87	+0.4	3478.70	3431.10	3452.47	3065.57	2.67	2.41	19.46	0.00	1095.33
73 Insurance(24)	1403.66	-0.3	1407.58	1414.29	1408.59	1210.49	5.20	2.69	8.95	0.26	1026.93
74 Life Assurance(6)	3498.94	+0.2	3492.03	3476.83	3483.24	2340.56	3.99	1.53	20.48	0.00	1425.47
77 Other Financial(23)	2542.76	....	2543.16	2539.46	2542.95	1851.13	3.59	1.36	16.73	1.06	1426.30
79 Property(41)	1453.46	+0.3	1448.86	1446.50	1449.84	1375.04	4.29	1.32	22.14	2.51	882.97
80 INVESTMENT TRUSTS(127)	3158.05	+0.2	3150.25	3150.52	3149.37	2626.09	2.11	1.05	58.21	6.43	1095.16
89 FT-SE-A ALL-SHARE(902)	1841.66	+0.5	1833.33	1829.38	1826.35	1518.21	3.73	1.98	16.90	5.85	1535.00
FT-SE-A Fledgling	1144.96	+0.1	1144.30	1143.90	1142.41	982.77	2.95	2.23	18.99	2.88	1185.65
FT-SE-A Fledgling ex Inv Trusts	1140.20	+0.1	1139.46	1138.73	1136.31	984.42	3.24	2.40	16.05	2.84	1180.00

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3742.4	3741.6	3739.4	3741.2	3739.6	3737.4	3739.2	3737.7	3750.2	3750.4	3734.1
FT-SE Mid 250	4158.1	4157.1	4155.2	4156.3	4156.2	4156.7	4158.0	4157.3	4160.1	4160.4	4154.8
FT-SE-A 350	1864.5	1864.2	1863.1	1863.8	1863.2	1862.4	1863.2	1862.6	1867.8	1867.9	1861.1

Time of FT-SE 100 Day's high: 4.04pm Day's low: 8.27am. FT-SE 100 1995/96 High: 3781.3 (2/2/96) Low: 2954.2 (23/1/95).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1066.8	1068.8	1066.8	1068.8	1065.8	1065.3	1064.4	1064.4	1062.1	1062.1	1064.4	-2.3
Pharmaceuticals	5147.3	5144.0	5143.9	5146.7	5147.3	5146.6	5143.5	5147.1	5171.5	5171.2	5129.2	+42.0
Water	2092.5	2091.6	2093.6	2093.2	2092.2	2092.2	2092.6	2090.5	2095.7	2098.6	2090.1	+8.5
Banks, Retail	4184.7	4185.3	4177.0	4182.6	4183.9	4184.6	4184.3	4181.8	4198.8	4196.0	4187.5	+28.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from FT-SE International Ltd., The Podium, St Alphage House, 2 Fore Street, London, EC2Y 5DA.
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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,700	418	+4
ASDA Group†	19,000	105	
Abbey National†	2,800	585	+5
Albert Fisher	5,600	45	+½
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group†	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds†	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Bowater†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land†	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wire.†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Coats Viyella†	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Electrocomps	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel Units	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.†	[illegible]	[illegible]	[illegible]
Forte	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shares)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elec.	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Man.	[illegible]	[illegible]	[illegible]
Midlands Elec.	[illegible]	[illegible]	[illegible]
Morrison (Wm)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next	[illegible]	[illegible]	[illegible]
Northern Elec.	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM†	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org.†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland†	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland†	[illegible]	[illegible]	[illegible]
Royal Insurance†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders†	[illegible]	[illegible]	[illegible]
Scottish & New.†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elec.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Seeboard	[illegible]	[illegible]	[illegible]
Severn Trent	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith (WH)	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmKl Beecham A†	[illegible]	[illegible]	[illegible]
SmKl Beecham Uts.†	[illegible]	[illegible]	[illegible]
Smiths Inds	[illegible]	[illegible]	[illegible]
Southern Elec.	[illegible]	[illegible]	[illegible]
South Wales Elec.	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Southern Water	[illegible]	[illegible]	[illegible]
Standard Chartd.†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance†	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water	[illegible]	[illegible]	[illegible]
Thorn EMI†	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media	[illegible]	[illegible]	[illegible]
United Utilities†	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Welsh Water	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams Hldgs†	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Wolseley†	[illegible]	[illegible]	[illegible]
Yorkshire Elec.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are quoted [illegible].

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 13 / Sch)

BELGIUM/LUXEMBOURG (Feb 13 / Frs.)

CZECH REP (Feb 13 / Koruna)

DENMARK (Feb 13 / Kr)

FINLAND (Feb 13 / Mkk)

FRANCE (Feb 13 / Frs.)

GERMANY (Feb 13 / Dm.)

GREECE (Feb 13 / Drachma)

ITALY (Feb 13 / Lira)

NETHERLANDS (Feb 13 / Fls.)

NORWAY (Feb 13 / Kroner)

POLAND (Feb 13 / Zloty)

PORTUGAL (Feb 13 / Escudo)

SPAIN (Feb 13 / Pts.)

SWEDEN (Feb 13 / Kronor)

SWITZERLAND (Feb 13 / Frs.)

TURKEY (Feb 13 / Tk Lira)

PACIFIC

JAPAN (Feb 13 / Yen)

HONG KONG (Feb 13 / H.K.$)

INDONESIA (Feb 13 / Rupiah)

MALAYSIA (Feb 13 / MYR)

NEW ZEALAND (Feb 13 / NZ $)

SINGAPORE (Feb 13 / S$)

AUSTRALIA (Feb 13 / Aust$)

SOUTH KOREA (Feb 13 / Won)

TAIWAN (Feb 13 / TW $)

THAILAND (Feb 13 / Baht)

NORTH AMERICA

CANADA

TORONTO (Feb 13 / Can $)

4 pm close

MONTREAL (Feb 13 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 13 / Rand)

INDICES

US INDICES

Dow Jones	Feb 12	Feb 9	Feb 8	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5600.15	5541.62	5539.45	5600.15 (12/2/96)	3832.08 (30/1/95)	5600.15 (12/2/96)	41.22 (2/7/32)
Home Bonds	105.92	105.89	105.78	106.92 (12/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2021.83	2017.28	2015.94	2082.11 (5/12/95)	1473.19 (3/1/95)	2082.11 (5/12/95)	12.32 (8/7/32)
Utilities	234.00	233.09	232.22	234.08 (13/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5643.50 (5602.76) Low 5531.14 (5474.06) (Theoretical†)
Day's high 5616.40 (5584.97) Low 5541.26 (5513.44) (Actual†)

Standard and Poors							
Composite‡	661.45	659.37	656.07	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials‡	775.19	769.28	769.06	775.19 (12/2/96)	548.28 (3/1/95)	775.19 (12/2/96)	3.62 (21/6/32)
Financial	67.21	66.83	66.96	67.21 (12/2/96)	41.64 (3/1/95)	67.21 (12/2/96)	8.64 (1/10/74)
NYSE Comp.	351.70	349.44	349.15	351.70 (13/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	562.46	564.01	564.88	564.85 (8/2/96)	433.12 (6/1/95)	564.86 (8/2/96)	29.31 (9/12/72)
NASDAQ Cmp	1095.38	1094.60	1083.17	1095.38 (12/2/96)	743.58 (3/1/95)	1095.38 (12/2/96)	54.87 (31/10/72)

■ RATIOS

	Feb 9	Feb 2	Jan 26	Year ago
Dow Jones Ind. Div. Yield	2.13	2.19	2.24	2.72
	Feb 7	Jan 31	Jan 24	Year ago
S & P Ind. Div. yield	1.88	1.91	1.95	2.42
S & P Ind. P/E ratio	19.86	19.43	18.56	18.96

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Dept 56	5,670,500	22⅝	-15⅝
Ford Motor	5,815,900	30⅛	+⅞
Hanson	4,900,400	14⅛	-¼
Wal-Mart	4,513,900	22⅝	+¼
Micron Tech	4,481,300	39	+⅜
Telecom NZ	4,236,000	68¾	+⅜
AT & T	4,094,800	67⅝	+1½
Gen Motors	4,083,200	52⅞	+1
IBM	3,838,000	115⅝	+1⅝
Telefos De M	3,536,400	31⅜	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 12	Feb 9	Feb 8
New York SE	402.224	461.231	473.155
Amex	21.87	27.81	28.833
NASDAQ	506.292	585.307	570.972
NYSE			
Issues Traded	3,089	3,100	3,090
Rises	1,348	1,204	1,335
Falls	951	1,095	858
Unchanged	793	801	797
New Highs	253	254	230
New Lows	13	18	18

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	663.80	662.00	-2.25	664.20	660.90	88,565	193,830
Jun	667.75	666.20	-2.20	668.20	667.10	3,621	15,256

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	21100.0	20870.0	-190.0	21150.0	20820.0	18,046	150,622
Jun	21110.0	20850.0	-200.0	21120.0	20830.0	1,939	26,089

Open interest figures for previous day.

‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... Day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock ... highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached ... (brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 13, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tobu Railway	11.3m	653	-4	Toshiba	5.0m	833	-17
Shinko Electric	10.6m	581	+25	Kanto Spl Steel	4.9m	606	+21
Yamato Transport	6.4m	1220	-10	Mitsubishi Hvy	4.6m	889	+3
Kyokuyo	5.6m	822	-100	NKK Corp	4.4m	296	-6
Kao Corp	5.1m	1310	+10	Dowa Mining	4.0m	547	-3

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1995/96. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. Toronto & Montreal highs/lows are over yearly rather than daily.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 13

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅝	12⅛	AAR	0.48	2.4	24	254	20½	20⅛	20⅛	-⅛
48¾	35	AMP x	1.00	2.3	21	5805	43⅛	42⅝	42¾	
83¾	53⅜	AMR			32	8220	82⅝	80¾	81⅛	+⅞
50½	38⅜	ASA	2.00	4.2	31	1030	48	47⅝	47¾	+⅜
44⅛	30¾	AbbtL	0.96	2.2	20	6816	44⅜	43½	43¾	-½
18⅞	12	AbtbI Pr	0.40	2.4	9	1870	17¼	16¾	16⅞	
28½	21	ABM Ind	0.70	2.5	15	15	28¼	28¼	28¼	
17½	13⅛	Acptlncoin			19	213	19	14⅞	15	
50⅜	21⅞	ACE Ltd	0.58	1.2	11	2298	48⅞	48½	48⅝	-⅛
9⅞	8⅝	ACM Gvt In x	0.90	9.2	8	294	u9⅞	9¾	9¾	
7⅞	6½	ACM GvOpp x	0.66	8.5		114	7¾	7⅝	7¾	
7½	5¾	ACM Gvt Sp x	0.75	10.5		283	7⅛	7	7⅛	
9⅛	7⅛	ACM Gvt Sc x	0.90	10.1		313	9	8⅞	8⅞	-⅛
9½	7⅝	ACM Man x	0.90	9.7		212	9¼	9⅛	9¼	+⅛
29¼	10¼	AcmeClv x	0.92	2.7	4	73	18⅝	18⅝	19½	
38¾	7⅝	Acme Elect			61	113	7⅝	d7⅝	7⅝	-⅜
34½	23¾	Acordia	0.72	2.5	15	18	28⅜	28¼	28¼	+⅛
16¾	10⅝	Acuson			44	894	14⅜	13⅞	14⅜	+¼
19⅝	15⅝	Adams Expr	0.36	1.9	8	365	19⅜	19¾	19¼	-⅛
35⅞	18⅜	AdvMic				712348	20¾	36	20½	-½
10¼	5	Advest Grp	0.10	1.6	10	195	u10¼	9⅞	10⅝	+⅜
27½	16½	Advo Inc	0.18	0.5	22	2000	21¾	21½	21½	-⅛
48¾	24.80	Aegon	1.28	3.8	16	518	42⅝	42¾	42½	+1¼
5⅞	3⅜	Aerflx			7	577	4⅛	3⅞	4	+⅛

[illegible]

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

هكذا من الأصل

4 pm close February 13

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18¼	9	SFeGd	0.05	0.3	53	12160	18⅛	15⅝	18⅝	+½
38⅛	30½	SFePPipe	3.00	7.9	18	47	u38⅛	37⅞	38	+¼
35½	24¼	SaraLee	0.76	2.2	20	9738	35⅜	34⅝	34⅞	-½
60¼	39⅝	SBC Cm	1.65	2.8	19	7344	u60¼	59⅜	59⅝	-½
28⅝	20½	Scana Corp	1.44	5.1	16	575	u28⅝	28⅜	28⅜	-⅛
11¼	5⅞	SchawkA x	0.26	3.1	21	32	8⅜	8⅛	8⅜	+¼
60¼	37¼	ScheringP			27	2554	41⅛	40⅜	41⅛	+⅜
60¾	35½	SchPl x	1.10	2.0	24	15800	58⅝	57⅝	58¼	+⅜
72⅞	50⅛	Schlmb	1.50	2.1	28	9080	72¾	70⅞	72⅝	-¼
29	11¼	Schwab(C) x	0.10	0.7	28	3018	24⅞	24⅜	24½	-⅜
27½	26⅝	SchwMaud				856	29¾	25¾	28¾	+⅞
24⅞	11⅛	SciAtl	0.06	0.4	55	1739	17⅜	17⅛	17⅝	-⅛
20	15⅛	Scotman	0.19	0.8	11	403	17⅜	17	17¼	
43½	28⅞	Scripps	0.52	1.2	25	482	43	42¾	42⅞	-⅛
21½	13⅜	ScuddrNAsF	0.02	0.1		329	17⅜	17⅛	17⅜	
11⅞	6⅜	ScuddrNEuF	0.16	1.4		168	11½	11⅝	11½	
20	13⅞	SeaCoB	0.70	4.2	1	2	10¾	16⅝	10¾	
16¼	14⅝	SeaCl.4825	1.46	9.4		4	15½	15¼	15½	
81¾	29⅝	S'gate			11	9711	60	58½	30⅛	-1
39½	25⅝	Seagrm	0.60	1.6	26	5810	38⅜	37	37¼	-⅝
22½	15¼	Seagull En			100	3493	20½	20	20	-⅛
32⅝	10	Sealed Air			34	644	31⅜	30⅛	30¼	-1⅝
46⅛	30⅞	SearsR	0.92	2.9	12	11373	u46⅜	44½	46	+1⅝
20½	16⅜	SecCapSBI x	1.24	0.1	23	5447	28¼	20	20¼	+⅛
13	10⅝	Seligm Sel x	0.84	6.5		74	12⅞	13¾	12⅞	
38¼	13⅝	Sensormat x	0.22	1.1	18	21419	21	17¼	25	+7¾
34⅝	21⅞	SequaA	0.80	1.8	15	48	u34⅜	33¾	34¼	+⅛
41⅝	23	SequaB	0.50	1.2	21	6	40¾	48¾	40¾	
46⅛	28¼	ServCp	0.44	1.0	25	2715	45⅞	45¼	45½	-¼
33½	21½	SvMstr	0.96	3.0	14	832	32¼	31⅞	32	-⅛

1995/96 High	Low	Stock	Div
17⅝	12½	Talley Pl	1.00
53	37⅞	Tmbrds	1.75
19¾	9¼	Tandem	
64⅜	34⅛	Tandy	0.80
10¾	9	Taurus Mun	0.68
3	1¾	TCCInd	
27	20	Teco Energ x	1.08
81⅞	31⅜	Tktrnx	9.60
29½	24¼	TeleCm	0.93
28½	19¾	Teloyn	0.48
44⅞	38¼	TeleEspSA	1.27
41½	23	Telmex	0.87
55¾	39⅞	Tmplnl	1.20
22⅛	16⅝	TempltEmMk	0.27
7¾	0¼	TempltGlob	0.80
7½	6⅜	TempltGlFd x	0.60
55⅜	41⅞	Tenneco	1.60
27¼	25¾	Teppco Pts	2.80
43	18	Teradyne	
7⅛	3⅞	Terex	0.08
14⅞	9¾	Terra Inds	0.12
12	7¼	Tesoro	
83⅝	60¾	Texaco x	3.20
62	30⅛	Texas Ind x	0.40
83½	34½	TxInst	0.68
32½	17	Texas Pac	0.40
42⅝	30⅛	TxUtil	3.08
3⅜	2⅜	Textil Inds	1.10
31⅝	45⅝	Textrn	1.56
6⅝	3⅝	Thackeray	
18	13⅝	Thai Cap	1.80
28½	19¾	Thai Fund	0.11
56¼	29.21	ThermoElec	0.12

NASDAQ NATIONAL MARKET

4 pm close February 13

AMEX COMPOSITE PRICES

4 pm close February 13

Price data supplied by Telekurs

FT Free Annual Reports Service

AMERICA

Early pressure on tech stocks, Dow rallies

Wall Street

Technology stocks came under pressure yesterday morning following Monday night's publication of the semiconductor book-to-bill ratio, *writes Maggie Urry in New York*.

The ratio showed a sharp decline in orders relative to shipments, from 1.12 to 0.93 in January. However, after an initial sell-off, the market mustered some equanimity.

The semiconductor news hit the Nasdaq index, which has a 40 per cent weighting in technology stocks. After plunging by more than 15 points at the opening, the Nasdaq recovered some of its composure, and by 1 pm it was down 4.31 to 1,091.07.

The Dow Jones Industrial Average was less affected. After falling 38 points at the opening, it rallied to show a rise by 1 pm of 5.78 to 5,605.93, continuing its record-breaking run. The Standard & Poor's 500 was 0.66 higher at 662.11, but the American Stock Exchange composite was down 2.08 to 560.38. Volume on the NYSE came to 261m shares.

Among sharp fallers on the Nasdaq market were Intel, which dropped $5⅝ to $57⅞, and Applied Materials, down $1⅞ to $35⅞. On the NYSE, Micron Technology slipped $1⅞ to $37⅛, Texas Instruments was down $1½ to $50⅛, and National Semiconductor dropped $⅞ to $15⅞. Within the Dow, IBM relinquished $1 at $114¾.

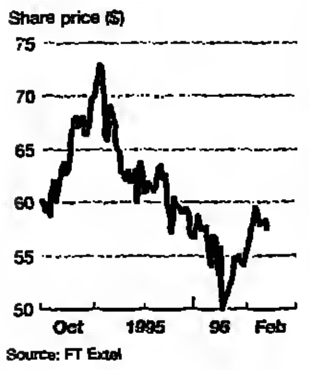
Elsewhere in tha Dow, consumer stocks were rising, with Coca-Cola up $1½ to $81⅝, Procter & Gamble ahead by $⅞ to $87⅞ and Philip Morris np $¼ to $98⅝.

Berkshire Hathaway, Mr Warren Buffett's investment company, barely weakened on the announcement that the group was to issua a new class of shares, worth 1/30th of its existing shares. Berkshire Hathaway's high priced stock fell $200 to $31,700. Its high price had deterred smaller investors in the past and kept trading activity low. In early trading there were five trades, accounting for 370 shares.

Bay Networks, the computer networking group which had decided to move its listing from Nasdaq to the NYSE on February 29, saw its shares rise by $⅛ to $46⅞. Since it floated on the Nasdaq in 1991 its market capitalisation has risen from $312m to over $8.5bn.

Greyhound Lines, the troubled long-distance bus company, fell $⅛ or 13.6 per cent to $3⅛ on a warning that its first quarter loss would be higher than the $18.7m net loss sustained in the same three months last year.

Intel



Source: FT Extel

Canada

Toronto was flat at midsession as firmer gold stocks balanced weakness in the high technology sector. The TSE-300 composite index was 0.34 higher by noon at 5,050.21 in volume of 44.5m shares.

Among actively traded issues, Poco Petroleum rose C$⅞ to C$11⅞.

Diamond Fields Resources slipped C$⅞ to C$37⅞ as the market waited to see whether Inco, the nickel giant, would come forward with an offer to rival Falconbridge's bid. Inco lost C$1⅞ to C$44⅞ and Falconbridge was C$⅞ weaker at C$29⅞.

Golds saw a C$⅞ advance in Barrick Resources to C$41⅞.

Among stocks linked to the semiconductor industry, Hummingbird Communications fell C$1⅞ to C$51⅞.

Caracas takes profits

There was profit-taking in CARACAS, bringing to an end eight successive sessions of gains during which the market reached a new two-year high. By late afternoon the IBC index was down 133.97 or 4.5 per cent at 2,865.29.

MEXICO CITY fell back as fears emerged that interest rates would be lifted during the central bank's auction of *Cetes*, or Treasury bills, later in the day. By midday the IPC index was off 47.48 or 1.6 per cent at 2,903.09. News that Grupo Sidek would defer principal payments on debt during restructuring measures also caused weakness. Sidek B shares were down 5.3 per cent, while its tourism subsidiary Situr was off 8.9 per cent.

SAO PAULO moved in the opposite direction, ahead of a senate vote later in the day on the government measure required to balance the budget. The Bovespa index was up 273 at 53,665 by 1 pm.

S Africa finishes weaker

Johannesburg ended a listless day softer, with golds weaker on a dull bullion price and industrials easing in sympathy with golds.

Analysts noted, however, that a mild recovery among second and third line stocks late in the session raised hopes that local bargain hunters would reappear, pushing the market up from the day's lows.

The overall index was finally 35.4 off at 6,764.7, industrials slipped 11.0 to 8,434.4 and golds lost 13.1 at 1,712.9.

De Beers receded R1.25 to R118 and Anglos shed R8 to R261, while among gold issues, Amgold retreated R12 to R381, Dries R1.25 to R55.50, Vaal Reefs R5 to R338 and Freegold 75 cents to R38.

Stanbic closed R4 stronger at R180, Liberty Life moved forward R2 to finish at R124 and SA Breweries notched a 75-cent gain at R136.25.

EUROPE

Amsterdam climbs although US data loom large

The US semicondnctor data loomed large in AMSTERDAM, home to a significant number of high-technology companies.

Philips, which producas semiconductors mainly for the mobile telecommunications market rather than personal computers, easad Fl 1.60 to Fl 64.90.

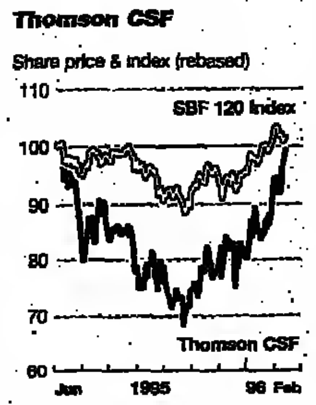
Other, non-AEX constituents which were affected included BE Semiconductor Industries, also listed on the US Nasdaq, off Fl 1.50 or 6 per cent at Fl 22.80; Baan, a software manufacturer, down Fl 3.60 or 4 per cent at Fl 83; and ASM Lithography, a unit of Philips and the world's third largest maker of machines for the manufacture of semiconductors, Fl 1.60 or 2 per cent cheaper at Fl 76.80.

The broader market remained positive, the AEX index rising 6.44 or 1.3 per cent to 509.99, helped by a gain in Royal Dutch of Fl 4.80 or 2 per cent to Fl 241.10. Brokers attributed the rise to expectations of increased oil demand following the particularly cold weather this winter in the US and northern Europe.

Other stories included Vendex, the services group, which dropped Fl 6.15 or 3.2 per cent to Fl 48.80 on a weaker than expected earnings forecast.

Polygram gained Fl 1.20 at Fl 95.70 ahead of today's 1995 results, which were not expected to be surprising; Heineken, which said it was taking a 54 per cent stake in a French brewer, advanced Fl 2.20 to Fl 297.50.

Thomson CSF



Source: FT Extel

PARIS featured Thomson-CSF. Reports regarding a possible takeover bid, should its parent group Thomson be privatised, gathered pace after circulating for a number of days.

There were rumours that several companies, including Alcatel and Matra, could be interested bidders. CSF rose FFr3.90 to FFr138.90, Thomson lost FFr5 to FFr1,060 and Alcatel Alsthom made FFr8.80 to FFr455.

The CAC-40 index firmed 15.66 to 1,983.33. The other news in the defence sector was more negative as the chairman of Dassault, also mentioned as a possible candidate for Thomson-CSF, warned about the consequences of cuts in the government's military budget.

Dassault eased FFr4.90 to FFr420.10, off a session's low of FFr416. Analysts expected a cut in the procurement budget of up to 25 per cent, which would lead to the cancellation or delay of orders.

Essilor International, which announced that it was buying Omega Laboratories from Benson Eyecare as part of an overall strategy to expand its US operations, appreciated FFr56 to FFr1,189.

FRANKFURT saw enough recovery in bunds and the dollar/D-Mark rate to regain the ground it lost on Monday, leaving the Dax index 7.50 higher at an Ibis-indicated 2,436.09.

Turnovar recovered from DM7.5bn to DM9bn.

Construction stocks stood out, with Hochtief up DM21 or 3.1 per cent at DM694 and Bilfinger & Berger DM12 higher at DM604. The sector, deep in recession, saw its share prices come off the bottom in late autumn last year; but it was still the worst performing group in the German market, said Mr Michael Geiger, German strategist at CS First Boston, and it might be that investors looking for German exposure were now bottom-fishing.

Elsewhere, Degussa, tha speciality chemicals, pharmaceuticals and gold refining group, rose DM5.50 to DM539.50 after an analysts' meeting on Monday. But Deutsche Babcock's plan to divest itself of loss-making businesses was less successful, leaving the shares DM4.50 lower at DM124.50.

MILAN saw a technical rebound after Monday's sharp losses, but activity was largely subduad as investors kept a wary eye on Mr Antonio Maccanico's circuitous efforts to form a new government. The Comit index rose 3.26 to 628.13, while the real-time Mibtel index added 193 at 10,078.

Most blue chips were higher, with Olivetti L23 ahead at L940.1 in spite of concern that its 41 per cent owned Omnitel unit might have sparked a price war in the mobile telephone sector with the price cuts announced on Monday.

Fiat rose L175 to L5,343 as it reported a strong performance in Europe outside Italy during January in sales of new cars, moving into second place behind Volkswagen in Europe.

Snia Fibre rose L31.2 to L630 on continuing specnlation about the sale of the Fiat-controlled group.

Against the trend, San Paolo lost L20 to L10,084 as its 1995 operating profits failed to match some expectations.

ZURICH made a strong start bnt tha steady dollar and improved bond market failed to support a sustained recovery and the SMI index turned back from a high of 3,271.6 to finish 7.0 ahead at 3,260.1.

Financials put in a mixed performanca, with banks mostly lower. UBS bearers lost SFr7 to SFr1,251. Insurers moved ahead on brokers' recommendations. Zurich Insurance rose SFr5 to SFr318 and Swiss Re was SFr13 higher at SFr1,204.

DUBLIN was spurred higher by better than expected results and dividend growth from Allied Irish Banks and the ISEQ general index rose 14.94 to 2,318.91. AIB picked up 5p to 352p and pulled other financials higher in its wake. Bank of Ireland rose 4p to 440p and Irish Life 2p to 248p.

Elsewhere, strong foreign demand pushed CRH, the building materials group, 8p forward to 503p.

WARSAW dropped back through the 11,000 snpport level to close at its lowest since August 1994. The Wig index lost 3.7 per cent to 10,748 as turnover shrank 10.2 per cent to 208.6m zlotys.

Analysts said the market could consolidate at the 10,000 level, following its 45 per cent rise in local currency terms since the start of the year.

ISTANBUL, after shedding some of the gains made in the morning, ended higher. The composite index rose 502.49 or 1 per cent to 51,632.09 as turnover improved to TL8,900bn from Monday's TL7,230bn.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1558.15	1558.14	1557.92	1557.62	1557.18	1556.97	1556.30	1557.59
FT-SE Eurotrack 200	1661.47	1661.16	1661.71	1661.20	1662.24	1661.86	1662.96	1663.82

	Feb 12	Feb 9	Feb 8	Feb 7	Feb 6
FT-SE Eurotrack 100	1550.87	1547.77	1546.69	1557.63	1551.45
FT-SE Eurotrack 200	1655.60	1650.50	1655.03	1663.79	1662.29

Base 1000 (26/10/90); High/day: 100 - 1558.53; 200 - 1664.47 Low/day: 100 - 1555.23 200 - 1658.52 † Partial

ASIA PACIFIC

Nikkei easier as high-technology stocks lose ground

Tokyo

Concern over a possible decline in semiconductor demand depressed the high-technology sector and shares lost ground for the second consecutive session, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average shed 150.59 to 20,784.33, after moving between 20,783.04 and 21,056.31.

The release of a weaker than expected supply to demand ratio for semiconductors in the US on Monday prompted selling of semiconductor related shares, while technical selling also depressed the index.

Volume was 370m shares, against 593m. Foreign investors remained net buyers, but were less active than in the past few days. Other domestic investors were also inactive ahead of parliamentary testimonies on Thursday over the housing loan debacle.

The Topix index of all first section stocks fell 10.27 to 1,610.23 and the Nikkei 300 lost 1.82 at 300.53. Declines led advances by 743 to 294, with 180 issues unchanged.

In London the ISE/Nikkei 50 index was up 0.59 at 1,411.31.

Selling of speculative issues by individual investors and brokerage dealers also weighed on the market. Traders said the bankruptcy of Aichi, a non-bank financial institution believed to have provided funds to stock speculators, prompted liquidation of positions in speculative favourites. Kyokuyo, the fishing company, fell Y100 to Y822 and Takara Shuzo, the shochu maker, by Y60 to Y1,260.

Manufacturers of semiconductor chips were lower, with Hitachi off Y20 to Y1,060 and Toshiba down Y17 to Y833.

Banks lost ground as uncertainty over the housing loan bailout lingered: Industrial Bank of Japan dipped Y30 to Y2,930 and Dai-Ichi Kangyo Bank Y40 to Y2,030.

Steels weakened on selling by foreign investors. Nippon Steel receded Y4 to Y357 and Kawasaki Steel Y8 to Y359.

In Osaka, the OSE average declined 157.23 to 22,380.58 in volume of 96.2m shares.

Nintendo, tbe video gama maker, fell Y210 to Y7,290 along with other high-technology stocks. Reports that the company might postpone the launch of its new 64-bit home video game from April to July also depressed confidence. Kanematsu Nissan Norin, a speculative favourite, shed Y130 to Y2,900.

Roundup

The strong overnight performance of Wall Street helped MANILA to surge for the second consecutive day. Foreign fund managers were seen leading the heavy buying in selected blue chip issues, as the composite index gained 51.64 or 1.8 per cent to 2,905.66. Volume was 1.78bn shares worth 2.05bn pesos.

TAIPEI was slightly weaker following Monday's 1.9 per cent rally as the market reacted with some disappointment to the government's proposals to boost activity. The weighted index slipped 9.54 to 4,857.27 in modest turnover of T$22.6bn.

Brokers said that many investors did not believe the government would be able to raise its target of T$200bn to establish a stock market fund.

Financials fell 0.5 per cent after the central bank said it would not cut bank reserve requirements at present.

JAKARTA, excited by positive economic data, rose 1.3 per cent, the composite index adding 7.35 at 584.82.

HONG KONG reversed sharp gains to finish moderately lower, stretching its losing streak to six days on profit-taking ahead of next week's Chinese New Year holiday, and on a sharp slide in Hutchison. The Hang Seng index lost 56.40 at 11,200.19 after a day's high of 11,357.61. Turnover remained thin, at HK$4.5bn.

Hutchison, which topped the actives table in heavy turnover of HK$549m, dropped HK$1.55 to HK$49.20. Some brokers attributed the fall to overseas selling on expectations that the stock would have little upside potential above HK$50 in the near term.

SEOUL was weak for the fourth consecutive session on across-the-board selling, with investors backing off from the market in the absence of boosting factors.

The composite index ended 6.94 lower at 858.16 and brokers noted that stagnant customer deposits with securities houses were a reflection of the market's downbeat mood.

KUALA LUMPUR was led higher by program buying of key blue chips. Activity stayed thin ahead of the week-long holiday next week. The composite index put on 4.56 to 1,064.23 in volume of 190m shares.

Genting fell 20 cents to M$23.0 on speculation that the company would report lower than expected 1995 earnings next week. Analysts noted that earlier rumours of a call warrant issue on the stock had now faded.

SINGAPORE took a roller-coaster ride, opening mixed, rebounding strongly at midday and closing off the day's high on bargain hunting. The Straits Times Industrial index ended 9.08 up at 2,422.67.

BOMBAY saw further foreign demand, mainly for second liners and A group stocks which remained mostly steady during the recent rally.

The BSE-30 index was propelled 56.06 or 1.6 per cent higher to a close of 3,527.84 as a number of heavily weighted index stocks put in a late spurt. Reliance finished the day Rs10.75 stronger at Rs233.

SHANGHAI's hard currency B shara index was spurred higher by a late round of buying from overseas investors. The index closed 0.204 ahead at 50.758.

SYDNEY went into overdrive in the afternoon, largely as a result of technical buying. The All Ordinaries index climbed 26.4 to 2,289.7.

WELLINGTON made progress, but fell back from the day's peak after a disappointing show from the heavily weighted Telecom.

The NZSE-40 capital index put on 7.23 at 2,092.04, off a high of 2,098.61 as Telecom eased 5 cents to NZ$6.27.

BANGKOK saw domestic investors actively bargain hunting which helped to lift the SET index 9.03 to 1,369.74 during a moderate day's turnover of Bt5.3bn.

Brokers remarked that turnover was well down from the average, indicating that individuals were the day's main players, rather than institutions.

The session's most active stock was PAE, the construction group, which was making its debut but ended unchanged at Bt149 from its IPO.

DHAKA was troubled by strikes in the city which resulted in the market opening for business an hour late. The DSE all-share index rose 0.7 to 780.4 in turnover of Tk25.6m.

The opposition parties have called for a 48-hour strike from today, as well as a boycott of Thursday's general election.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 12 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 9 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	Low	Year ago (approx)
Australia (81)	196.07	-0.5	189.87	132.06	150.09	172.91	-0.3	3.86	197.08	190.71	133.25	151.37	173.39	199.13	158.71	159.83
Austria (26)	185.05	-0.8	179.21	124.64	141.66	141.47	-1.2	1.63	186.57	180.54	126.15	143.30	143.14	198.28	168.11	169.00
Belgium (34)	210.86	-0.8	204.20	142.02	161.42	157.43	-0.9	3.35	212.09	205.24	143.40	162.90	158.85	215.81	189.15	189.15
Brazil (28)	167.59	0.5	162.24	112.84	128.25	301.71	0.5	1.60	166.73	161.34	112.73	128.06	300.24	170.25	88.05	128.94
Canada (101)	158.31	0.3	153.31	106.63	121.19	157.21	0.3	2.39	157.84	152.74	106.72	121.23	156.92	158.71	125.84	126.49
Denmark (33)	303.05	0.3	293.48	204.12	232.00	234.81	-0.1	1.51	302.22	292.45	204.34	232.13	234.99	303.67	252.41	258.46
Finland (24)	183.03	0.4	177.25	123.28	140.12	177.13	0.2	1.80	182.36	176.45	123.30	140.07	176.80	278.11	171.13	187.57
France (99)	184.28	0.6	178.43	124.10	141.06	146.53	0.4	3.12	183.15	177.24	123.84	140.69	145.80	191.17	161.53	165.29
Germany (60)	170.28	0.9	164.88	114.68	130.34	130.34	0.6	1.85	168.77	163.32	114.11	129.63	129.63	171.28	142.25	145.89
Hong Kong (59)	437.74	-0.6	423.92	294.84	335.11	434.56	-0.6	3.28	440.26	426.03	297.67	338.15	437.01	448.31	316.35	323.03
Ireland (16)	254.47	-0.5	246.44	171.40	194.81	227.69	-0.5	3.37	255.83	247.58	172.99	196.52	228.79	262.70	205.44	212.49
Italy (58)	77.76	-3.0	75.31	52.38	59.53	91.15	-2.9	1.64	80.20	77.60	54.22	61.60	93.87	82.71	68.45	61.37
Japan (482)	153.31	-0.7	148.47	103.26	117.37	103.26	0.0	0.74	152.73	147.79	103.26	117.31	103.26	164.82	136.95	144.51
Malaysia (107)	511.66	-0.4	495.79	344.83	391.92	501.66	-0.5	1.67	514.18	497.54	347.64	394.51	504.35	561.85	425.77	495.82
Mexico (18)	1140.63	-1.8	1104.61	768.27	873.19	9374.47	-1.2	1.48	1159.26	1121.79	783.82	890.40	9487.01	1237.14	847.81	1058.93
Netherland (19)	277.80	0.8	269.02	187.11	212.66	209.99	0.5	3.12	275.52	266.61	186.28	211.62	208.00	280.40	221.89	221.89
New Zealand (14)	79.07	-0.4	76.58	53.26	60.53	62.32	-0.2	4.87	79.41	76.84	53.69	60.99	62.44	86.49	72.27	72.27
Norway (33)	231.87	0.5	224.55	156.18	177.51	202.53	0.2	2.16	230.62	223.16	156.06	177.29	202.11	243.79	202.76	215.28
Singapore (44)	444.50	-1.2	430.46	299.39	340.28	289.54	-1.4	1.39	449.90	435.35	304.18	345.56	293.64	466.21	342.37	343.32
South Africa (45)	422.14	-1.4	408.81	284.33	323.16	336.50	-1.5	3.50	428.32	414.48	289.60	328.98	341.50	437.76	302.03	303.72
Spain (37)	165.82	0.5	160.59	111.69	126.79	155.48	0.2	3.86	164.91	159.49	111.44	126.59	155.21	168.91	124.10	134.77
Sweden (47)	315.76	0.4	305.81	212.69	241.74	326.12	0.4	2.30	314.60	304.26	212.59	241.60	324.31	325.13	250.23	251.40
Switzerland (39)	224.15	0.7	217.07	150.97	171.59	187.02	0.2	1.60	222.64	215.44	150.53	171.00	186.74	230.55	167.82	167.82
Thailand (46)	186.43	-0.8	180.54	125.57	142.72	182.98	-0.8	2.05	188.12	182.04	127.20	144.48	184.58	193.05	150.15	151.81
United Kingdom (205)	230.04	0.2	222.78	154.85	176.11	222.78	0.3	3.96	229.63	222.21	155.26	176.38	222.21	232.50	192.74	198.71
USA (632)	268.11	0.7	260.61	181.26	206.01	268.11	0.7	2.14	267.24	258.60	180.69	205.26	267.24	268.11	197.20	197.26
Americas (779)	245.54	0.7	237.79	165.39	187.97	208.40	0.7	2.13	243.82	236.04	164.92	187.35	205.00	245.54	180.00	181.00
Europe (731)	202.48	0.3	196.09	136.38	155.01	175.46	0.1	2.95	201.95	195.42	136.55	155.11	175.29	204.32	169.63	172.11
Nordic (137)	278.38	0.4	270.56	188.17	213.87	247.03	0.0	1.82	278.27	269.27	188.15	213.73	248.27	295.02	222.22	234.21
Pacific Basin (833)	166.14	0.2	160.90	111.91	127.19	114.89	-0.1	1.13	165.82	160.46	112.12	127.37	115.02	171.87	145.85	152.51
Euro-Pacific (1564)	181.16	0.2	175.46	122.03	138.70	137.92	0.0	2.00	180.77	174.93	122.22	138.84	137.93	183.38	156.57	160.58
North America (733)	262.26	0.7	253.98	176.65	200.77	261.82	0.7	2.14	260.48	252.05	176.12	200.07	259.84	262.26	192.77	192.57
Europe Ex. UK (526)	182.93	0.3	177.15	123.21	140.04	148.93	0.0	2.38	182.38	176.47	123.30	140.07	148.87	184.51	152.92	154.96
Pacific Ex. Japan (351)	285.47	-0.8	276.45	192.26	218.53	250.55	-0.8	2.93	287.20	277.92	194.19	220.59	251.96	291.91	229.26	231.21
World Ex. US (1756)	183.02	0.2	177.24	123.27	140.11	142.29	0.0	2.03	182.69	176.78	123.52	140.32	142.33	184.71	156.72	160.99
World Ex. UK (2183)	207.84	0.4	201.09	139.86	158.96	174.31	0.3	1.89	206.76	200.08	139.80	158.81	173.61	207.84	168.82	169.41
World Ex. Japan (1906)	240.88	0.6	233.27	162.24	184.40	226.98	0.5	2.48	239.69	232.14	162.20	184.26	226.13	240.88	187.55	188.00
The World Index (2388)	209.68	0.4	203.06	141.23	160.51	178.79	0.3	2.08	208.83	202.08	141.20	160.40	178.28	209.68	169.20	171.81

مكتبة الأعمال

CONFERENCES, EXHIBITIONS AND TRAVEL

Face-to-face still beats the computer

In spite of the new global communications networks, conferences and exhibitions are a valuable way of making contacts in the business world, argues Diane Summers

By the side of the Internet and other rapidly-developing global communication networks that have been causing excitement over the past year, conferences and exhibitions may at first appear strangely old-fashioned concepts.

It is possible to talk to people across the world at the press of a computer key, take a close look at their goods or services on, for example, CD-Rom, or target them with ever-increasing efficiency with databases and direct mail. So why go to the bother of travelling to a venue, physically hauling tons of equipment across frontiers, or endure the expense and disruption of top personnel being away from their desks?

The answer is that it is difficult to imagine there ever being a substitute for making contacts and conducting business face-to-face; the exhibition and the conference can provide highly efficient means of building those contacts. Reed Exhibition Companies, part of the Anglo-Dutch publishers, Reed Elsevier, even defines its mission as to "deliver business contacts that create value" for its customers, rather than simply organising exhibitions.

It is the event organiser's job to ensure that the appropriate visitors and exhibitors meet and are provided with the right environment in which to do business, explains Mr Mike Rusbridge, Reed Exhibition Companies chairman. This is becoming an increasingly sophisticated process, with exhibitors now demanding information on, for example, the calibre of visitors and whether they are senior enough to specify those goods or services being exhibited.

Mr Hugh Scrimgeour, chairman and managing director of Earls Court Olympia, London, and a vice-president of the European Major Exhibition Centres Association (Emeca), argues the exhibition can be one of the most efficient ways for a company to meet its most important customers over the course of three or four days. "Even if you've only got 80 top *customers, who account perhaps* for 80 per cent of your business, it would still take you a long time to make separate sales visits," he says.

The importance of face-to-face contact will continue to sustain the conference and meetings industry, as well as the exhibition sector, argues Ms Vanessa Cotton, managing director of the UK-based Event Organisation Company and chapter president of Meeting Professionals International. "Video conferencing, E-mail or the Web will never replace physical networking," she says.

While electronic networking has become easier, so too has physical travel. This has been aided by the opening of the Channel tunnel and the development of high-speed train services which are starting to link many of the main business centres in Europe and offer a real alternative to air travel.

Ms Cotton's company regularly holds meetings for clients which attract delegates from 30 or more countries. In the summer, for example, a gas industry forum, organised for British Gas, BP and Shell in Birmingham, had about 2,000 visitors from around 45 countries. "Every reception area, every foyer, was for a 'whole week' full of people who were networking, exchanging business cards and, in many cases, doing deals," she says.

The distances that delegates are prepared to travel increase with the degree of speciality of the event, and Mr Rusbridge expects to see increased "niching" as a continuing trend. Last year, for example, Reed ran a show in Paris called Corrugated, for manufacturers of machinery *for corrugated board and packaging.* "People came from all over the world. They realised it was probably the most comprehensive array of technology in that field they were ever likely to see," he says.

Worldwide, the health of the exhibition and conference sector is patchy, reflecting local economic conditions and the relative strength of the industries participating in events. Reed has seen buoyant business in Europe overall, with strong performance in the UK, France, Austria and Switzerland. Mr Scrimgeour reports that his colleagues in Emeca are finding the German market has emerged quickly from recession. The Dutch, like the British, Spanish and Italians are "seeing modest growth but nothing to get ecstatic about," while in France, "they're braced for a difficult and challenging year," he says.

Difficulties in France have beset Blenheim Group, which, like Reed, is one of the leading international exhibition organisers. In the first half of last year losses on the French business drove pre-tax profits down by nearly a third, although analysts believe the company is now through the worst.

Eastern European markets show promise but there are still many obstacles to be overcome, reports Mr Rusbridge. For example, it may be difficult to establish security of tenure in halls and there can be confusion over who owns or is in charge of renting ont space. "In a number of cases, the condition of the halls themselves leaves a lot to be desired," he saya. Nevertheless, Reed expects to be in "one, possibly two, significant eastern European markets in the next one to two years."

In the US, business is being stimulated by the Olympics, with extensive spending on private and public sector construction projects in Atlanta, and an $8m worldwide advertising campaign to promote the state of Georgia as a business and tourist destination.

But it is in south-east Asian markets that tbe fastest growth is being seen, with conferences and exhibitions proliferating to serve dynamic regional markets, as well as attracting business, particularly in tbe incentive travel area, from the US and Europe.

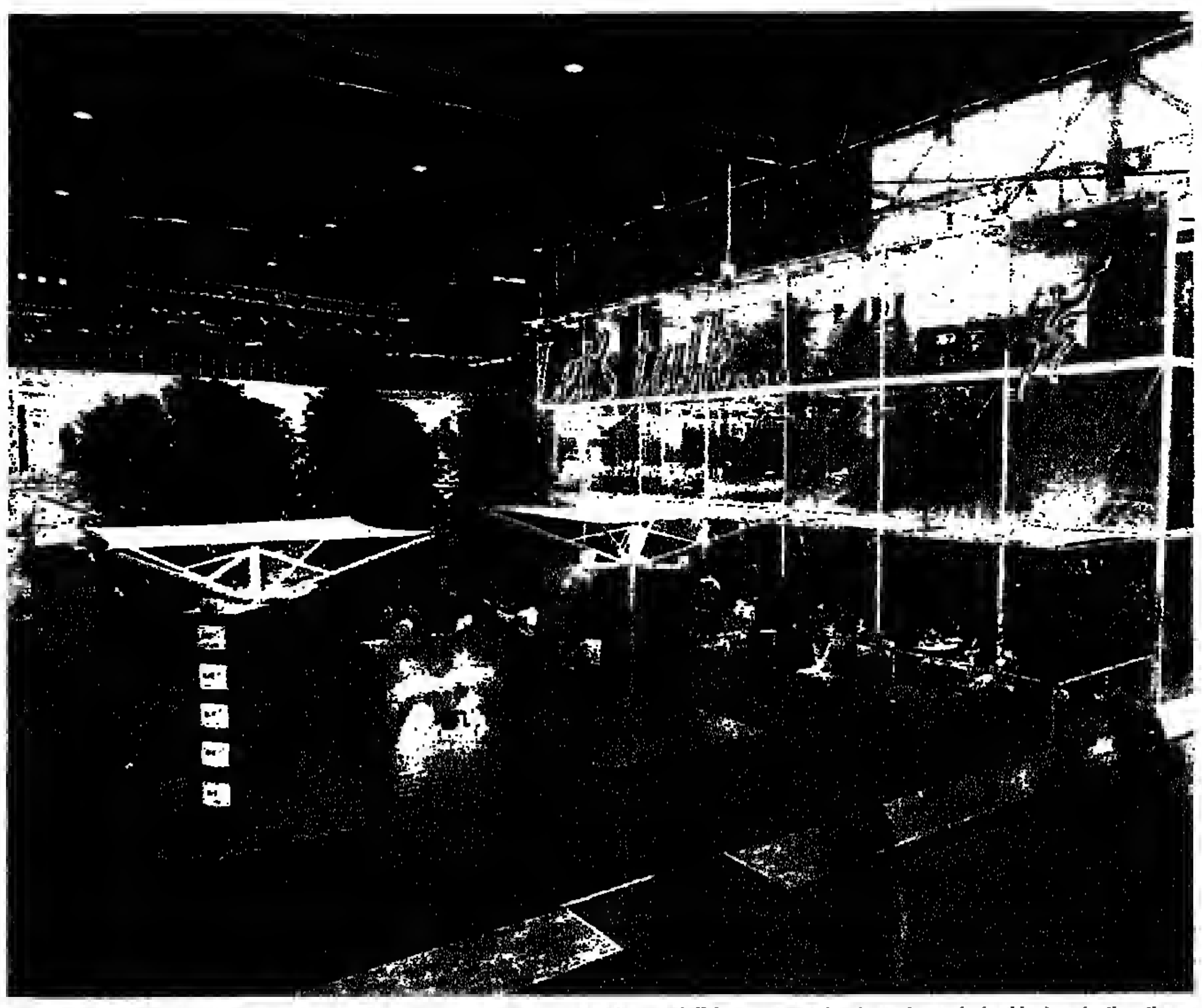
In spite of the uncertainties associated with the imminent handover to Chinese administration, confidence in Hong Kong as a premier meetings location is running high. International bookings for events stretch as far ahead as 2005, while luxury hotel building comes in addition to the new airport and the extension of the Hong Kong Convention and Exhibition Centre, due for completioo next year.

In the UK, recovery from tbe recession is generally strong, while some observers note permanent cbanges io spending levels and client expectations. Visitors to Confex, the annual meetings, events and incentive travel forum, last year reported that tbey expected expenditure in all areas of the meetings and events industry to increase by 25 per ceot during 1996. The Meetings Industry Association, tbe trade body, reports delegate numbers for meetings and confereoces bave falleo over the past two years but, at the same time, events have grown slightly in duration.

The MIA sees organisers "still negotiating aggressively" over accommodation, facility and meal rates, and prepared to spend more time than before in selecting the right venue.

Mr Duncan Fisber, general manager of the Grand Harbour Hotel, Southampton, a De Vere hotel, reports lead times are getting longer as buyers are able to plan and budget for their events more strategically. But be says some practices brought about by the recession will continue. "It's doubtful if there will ever be a return to three-course luncbes with wine. Meetings remain sbort and provide as much impact as possible. Delegates only stay overnight if it's essential."

In the UK, as elsewhere, ostentation and entertainment and travel for their own sake went out of favour during the recessioo and remain so, says Ms Cotton. "Nobody wants to be associated with anytbing that could be seen as a jolly, holiday or freebie. Clients are very keen that their events are appropriate. They've got to bave face-to-face communication between their senior executives, their sales force and their customer base. They've got to get on planes, go to meetings, and book space. But they don't want to be seen doing anything that's lavish or inappropriate," she says.



Live '95, the consumer electronics show at Earls Court, London, in September. British Telecommunications' stand was devised by Imagination, the design and events consultancy, which was recently selected to operate the year-long £100m Millennium exhibition to mark the turn of the century

IN THIS SURVEY

Production Editor: Gabriel Bowman

Social events: by Jane Martinson

The benefits of teamwork

The main value of simulated events is that participants are encouraged to network

When terrorists kidnapped the chief executive half an hour into the conference, a nervous titter spread through the hall. The titterers spent the rest of the day clearing minefields and building bridges in an attempt to get him back.

The popularity of "Who Dares Wins" events in the past two years proves the idea of bringing something a bit different to the average conference has not been killed off by the stalking figure of the recession.

The events, in which former members of the SAS abseil from a helicopter before making off with the boss and some vital part of the company (usually a new product), have been one of Moyles' Masterkey's most successful. The Worcestershire-based company, which describes itself as an incentive house, runs a host of special activities including vintage car days and flying days.

Tha mine clearance, tank driving and bridge building have a purpose as well as being fun, says Mr Philip Moyles, a director of the company. "We offer a totally different environment and something which most people have never done before, detached from the real workplace. On Monday morning everybody's talking about it and perhaps discussing how they worked as a team together."

Customers such as Legal and General, Whirlpool, Land Rover and Glaxo have used the company for varied activities.

There may be a great difference between Who Dares Wins and dinner at a stately home for senior executives after a long day in the conference hall but the events share a similar logic. They act to impress guests/staff/clients with the all-round abilities of the company and give the participants a chance to meet each other in a new, more relaxed, environment. While the words jamboree and jolly now appear anathema to most event organisers, "networking opportunities" are considered important enough for £50 to £500 a head to be spent on an event.

Solving a murder – even if it is only make-believe – may encourage people to work together as a team

Ms Vanessa Cotton, managing director of The Event Organisation Company, says: "For the average conference social events are very, very important because of the networking value. People go to events not just to review information from a platform, they go for face-to-face communication and to build relationships." Coffee and lunch breaks do not provide the special ingredient to impress the conference goer.

> 'The difference between work and free time tends to blur'

Mr Andy Flower, a business development manger for BP, the oil group, has been involved in two conference events organised by Ms Cotton's company. The first was an 18th century themed party for 1,600 guests attending the triannual Liquefied Natural Gas conference. Underwritten by British Gas and Shell as well as BP, the whole event was "a chance for all the people involved in LNG to meet," be says. "From BP's perspective it's partly about our reputation. It's important to demonstrate our commitment to it [LNG]." The event, held at Weston Park, a stately home just outside Birmingham, also acted as a "showcase for the UK," says Mr Flower.

The experience of hiring outside specialists to organise such an event persuaded Mr Flower to use the company when he had a meeting to organise with between 20 to 25 managers from Japan. The meeting included dinner at a Scottish castle as well as golf.

Rather than being a diversion from the events of the day, the social event in the evening is an extension of it, says Ms Cotton. "The difference between work and free time tends to get very blurred at these events," she says. "People want to use every hour away from the office to best effect. They get more from taking part in a well-organised social event than from taking room service after a day at a conference."

Ms Cotton's company, set up eight years ago, specialises in large international meetings and aims to provide a service that the conference goer would find difficult to buy for him or herself. Dinner at the Banqueting Hall in London's Whitehall after using the Queen Elizabeth conference centre, across the River Thames, is one example. The company has organised a conference for aviation security specialists with the British Airports Authority. It plans to use London's Science Museum for a dinner in tha flight gallery underneath original flying machines.

A growing number of conferences are being organised in venues such as Thailand and Singapore as companies set up regional offices in Asia. The Event Organisation Company worked outside the UK some 30 to 40 times last year.

Using foreign destinations helps event organisers fulfil a key criteria: doing something different. This explains the popularity of using Eurostar last year. "Nobody had been through the tunnel so it was very popular. Now most people have," says Mr Moyles.

This is also the motive behind the diversification of Accidental Productions, which has provided Murder Mystery events since 1990. Having decided that "everybody must have been to a murder party" the company developed a new game show just over a year ago. But the murder parties are still popular.

Successful events: by Kate Bevan

Exit polls may not be enough

Getting a message across – and identifying what it is – may call for professional help

The event is over. You are left to survey the rubble of your conference with its attendant dirty glasses and pile of business cards to follow up. Was it worth it? Should you have been there in the first place?

If you are asking that question, next time consider a professional event management company to look at what you want to get out of it.

"Many conferences fail to deliver their promise," says Ms Dianne Lucas, director of Purchasepoint, a London-based marketing and communications agency. Some events "rush to create the feelgood factor or blow the audience's mind," thus losing sight of the overall message. Others are so dull that delegates are hard put to it not to fall asleep.

A successful event – one that neither bores the audience rigid nor blinds them with gimmickry – starts with the planning. Indeed, that may be the most important part of an event. You should review your objectives and make sure that the event will deliver them. What do you want your audience to take away from the event? Consider your target audience and establish what view they now have of your product. Is that the view you would like them to have?

If not, define what it is you do want them to think about you. This means identifying the message and then finding how to communicate that through the creative process.

"One of the most important tasks of the creative team is to choreograph the event in such a way that your audience retains the key message," says Purchasepoint.

When it is all over, many still evaluate the success of their efforts simply by the number of people that have passed by for a free drink and picked up brochures. Others may even organise an exit poll to find out what visitors thought of the conference. But raw numbers alone are not enough. While these questionnaires might give some idea about whether the guests liked the set design and the lighting, and help the organisers plan a more attractive event next time, they are of little use in evaluating more important things, such as whether visitors have the perceptions the company wants them to have.

More sophisticated research and evaluation can help a company set much clearer marketing objectives for the future, although post-event evaluation is the "Cinderella" of the industry, says Ms Lucas, and has only been in place for the past couple of years.

Most common is quantitative research, when the simple methods such as exit polls can establish how many people came to an event and what they thought of it. Typical of this kind of research is the Audit Bureau of Circulations attendance certificate. The independent organisation's exhibitions division audits all the main UK trade and technical shows; it provides a list twice a year of certified exhibitions and verifies attendance figures and broader data such as the number of stands and amount of space occupied.

One of the first to take part in such an audit was the 1995 London Motor Show, held at Earls Court. The audit confirmed that the number of visitors at the 10-day show was 425,557. Mr Peter Marr, director of research and media at the Incorporated Society of British Advertisers, hailed the introduction of the ABC audit as "the coming of age of the exhibition industry. For the first time, it puts exhibitions on the same platform as other

> 'The creative team's task is to choreograph the event'

media – newspapers, trade and consumer magazines – which recognise that their credibility as vehicles for marketers' promotional budgets depends on the independent verification of the size and characteristics of the audience they attract."

That is fine as far as it goes, but research of that nature can also throw up some alarming statistics. The results of one evaluation carried out by Purchasepoint showed that 32 per cent loved the music; 49 per cent thought the video was great; 68 per cent enjoyed the food; 90 per cent loved the staging; but 75 per cent did not get the message.

That is the crucial point. At the end of the day anyone organising an event has to know that the message has been understood by the target audience. This is where a careful piece of research can deliver much more detailed results. For example, an agency can carry out a questionnaire before the event to measure people's views of the client or its product, and then follow the event with a further poll on whether those perceptions have been changed as a result, and, more importantly, if they have moved in the direction the client hoped for.

Armed with this information, a company can then devise the next part of its marketing strategy. That may involve other events to build on what has been achieved, or the company may decide it needs more public relations and fewer live events.

For the money it costs to stage a live event, you want a decent return on it. In other industries where huge sums are spent, nobody would dream of not evaluating the success of every penny. The same is true of live events. "You need to be able to quantify the benefits of an event," says Ms Vanessa Cotton, managing director of The Event Organisation Company, a London-based group. That may translate into increased sales, but at the same time, the main benefit a business may get from going to an exhibition is to find that it did not need to be there in the first place. Only if you know what you want out of an event or what you have got out of it can you make that kind of decision.

Getting help: by Kate Bevan

Let experts do the work

When you are setting up an event, does an organisation company yield better results than the DIY approach?

I hate DIY. The mess, my lack of expertise and the frustration of not having the right tools make it a nightmare. I would rather pay somebody to work for me.

Though that is true of decorating, in many cases the same principle applies to organising a conference or your stand at an exhibition. Some people hand the whole lot over to an event management company. Others boldly march down the DIY route, and still others take a middle course by using a venue-finding company handling the rest themselves.

To wash your hands of an event and let experts do the work can be a huge relief. Consider whether you want to detach staff from their regular job and have them spend time out of the office looking at venues. Do they know the best way to organise multimedia tools for your conference, such as video and audio-visual presentations? And can your in-house caterers cope with feeding all those people?

"It's a mistake to think that the secretary can handle setting up an event," says Ms Vanessa Cotton, managing director of The Event Organisation Company, based in south London. Her company claims to have the clout to negotiate with suppliers which a small *ad hoc* inhouse team setting up a one-off event does not have. It is an "off-the-shelf" expertise that can be cost-effective, she says.

The other benefit is that by calling in an event management group, you are buying quality assurance, argues Ms Cotton. You know that the company will not be making it up as it goes along.

"Some events don't take a rocket scientist to organise," concedes one expert. In that case, you might want to go for a middle way, by using a venue-finding agency to listen to your ideas and turn them into a specific brief, and then do the legwork, taking a commission from the venue rather than from the client. Or you might want an event company to work with an in-house team. In principle, it is a good idea anyway to let an outside contractor do this, whether it is to provide a bit of back-up or whether the event company is doing the whole job for you.

"It often works well when we get together with the company's own team," says Ms Cotton. "The client might have an existing database of contacts and the people they want to attend and we can build on that." But often the client is too close to an event, or the product or service they are using the event to promote, to be able to evaluate it dispassionately.

For example, an outside group might come up with a different interpretation of what the event should be while the client

> Clients and agencies plan the objectives before they start developing the event

can concentrate on getting the product itself right. At the same time, an event organisation company can work with an in-house marketing department to integrate a specific conference or event with existing marketing strategies such as advertising and public relations.

Purchasepoint, a London-based marketing and communications agency, says the process starts with approaching a live event as a live marketing campaign which draws together clients and agencies to plan the objectives before they start developing the event itself.

For some, the in-house approach works better. Ms Catriona Gray, who organises stands for the Australian Tourist Commission at shows throughout Europe, prefers to contract out as little as possible.

"We work closely with our public relations consultant and use the event venue's catering facilities, but we don't give the co-ordinating role to an outside company."

The benefit of doing it in-house, says Ms Gray, is that it maintains a coherent feel to all the Australian Tourist Commission's events, which is particularly important for the commission as it acts as an umbrella body for several tourist-related companies and exhibits at events all over the world.

However, this approach may not work so well for other companies. The tourist commission has a unique advantage in Ms Gray – she used to work for Philbeach, which is now P&O Events. "I'm a sort of poacher-turned-gamekeeper," she says.

If you decide on the DIY approach, careful planning is essential. You must define your aims and objectives. This is not just knowing how many people you want to turn up, but also assessing how the event fits into your marketing strategy and the message you want them to take away.

Setting a date is more important than it sounds as finding the venue can be a huge project in its own right. Does it have good air, rail and road links? Is it appropriate – a small country-house hotel might be ideal for a board-level brainstorming session, but not for a wider conference. You should also consider whether your guests need to stay overnight and if they can spare that time away from the office. And should you charge for the event? A nominal cost might reduce the no-shows – and thus help keep your budget under control.

But should you even be at a particular event? If your rationale is: "We've been there every year since the dawn of time," then an outside company can help you look at that with a fresh eye. "It often comes up in the early development stage with a client," says Ms Cotton, "that an event is not appropriate." In that case an event company can help you work out what it is you need, which might be to call in a public relations agency or to plan an advertising campaign. And it will probably be able to help find the right agency through its own contacts.

As in decorating, preparation is the key to a successful result. And getting the experts to do the time-consuming but vital work can ultimately make for a much better job.

Roadshows: by Harriet Arnold

Public scrutiny has its rewards

It sometimes pays to take a show to the audience, instead of the other way round

More than any other medium, roadshows expose the company or the brand to the scrutiny and comment of customers and employees.

The emphasis now, says Ms Dianne Lucas, director at marketing and communications company Purchasepoint, is on "effectiveness rather than effect" – on educating an audience rather than dazzling it.

Purchasepoint recently ran a prize-winning roadshow for Independent Insurance, the insurance company. The main aim was to reinforce communication with successful, busy brokers already bombarded with messages. Says Ms Lucas: "The approach was to recognise their élite status and to make them feel special." The brokers received hand-calligraphed invitations to travel by limousine and helicopter to stately home venues.

When Tesco wanted to promote its in-store pharmacies last summer it asked Mr Mike Blackman of events consultancy Touchwood to run a six-week roadshow. The main target audiences were mothers of young children and the elderly. Attractions included free consultations with the store's pharmacist and a nutritionist. "The British love to queue," says Mr Blackman, "but they don't like to ask questions, so we used a machine that printed out details such as people's weight which they could ask the experts about."

A Microsoft launch always involves going on the road, but for Windows '95 last autumn the software maker tried a different approach by organising events in partnership with its biggest dealers, who contributed some of the cost. The Start It Up tour – using the Rolling Stones lyric – comprised 26 shows held in 30 days in business conurbations from Scotland to the south-west. The first event, at London's Queen Elizabeth II centre, featured a speech by Mr Bill Gates, Microsoft chairman, to 1,200 important customers.

"It was a huge logistical challenge," says Mr Chris Lewis, reseller group manager for Microsoft. "At each event, the local reseller partner was coming in with training assistance and consultancy services, so the customer was getting both sides of the story at the same place."

Hewlett-Packard regularly runs roadshows across Europe. "They could do direct mail only, but there is no other mechanism for taking the message to the resellers, salespeople and customers dispersed across Europe, who appreciate the effort," says Mrs Ilona Shields, account director at Spectrum Communications, one of the largest corporate event producers in Europe.

The company ran a two-week roadshow last month, aimed at third-party vendors in Europe. The key presenters were from the central marketing office in Stuttgart. The roadshow travelled 10,000 miles, visiting 17 destinations from Madrid to Warsaw. The tight schedule was achieved by doubling up and using two trucks.

Event marketing company RPM last year ran a roadshow for Glenfiddich to Spain over seven months in 27 cities. "The main aim was to encourage people to drink it as a *copa* (social drink), and more often.

RPM runs a summer roadshow to 30 of Britain's agricultural shows for Marks and Spencer. "The aim is to communicate to consumers and farmers the strong link between British agriculture and M&S," says Mr Ross Urquhart, joint managing director at RPM.

A huge tent divides into sections such as a hospitality area or a sandwich bar, which sells M&S food at high street prices. When motivating the producers, says Mr Urquhart, "what better way than for them to see the consumer enjoying the product and understanding the story behind it?"

For international flotations and privatisations, the roadshow is "the final and perhaps the most important element of institutional marketing," as fund managers want to meet the top level of the company, says Mr Simon Bruxner-Randall, director in the financial markets team for Imagination.

One of his most challenging assignments has been co-ordinating the international roadshow for PT Telkom (Indonesia) last autumn. Telkom's management split into two teams visiting 32 cities in four continents in 19 days, giving 20 formal presentations and 117 one-on-one meetings.

Presentation: by Diane Summers

First: keep the audience awake

By learning some basic principles, most people will get the confidence to speak in public

The lunch was substantial, there was a glass or two of wine, and now the delegates are settling into their seats for a stretch of, perhaps, five speakers during the course of the afternoon.

Just keeping the audience awake is a challenge *in itself*: to stimulate, entertain and inform, particularly during the post-lunch graveyard shift, is a challenge which takes skill, preparation and practice.

Ms Cristina Stuart has probably seen more horrors and triumphs on the conference platform than most. As the managing director of London-based SpeakEasy Training, a consultancy which helps businesspeople improve their presentation in public, she believes conference speakers *often neglect some basic* principles.

The first of these basics is the need for thorough preparation. Most people will be squeezing the speechwriting into a busy working day and will fail to allow enough time for research, drafting and practice, she says.

Practising needs to be done *aloud*, complete with gestures, and needs to be right through to the end of the speech. "Often the first quarter is well rehearsed and the last quarter is not rehearsed at all."

Mr Brian Johnson – an experienced speaker as former worldwide business development director of advertising agency J. Walter Thompson – stresses the need to research both audience and venue. Get a clear brief from the organisers and check the level of technical expertise and interest the audience is likely to have, he says.

The venue also needs checking, says Mr Johnson. If speakers are to avoid, for example, walking into a room with a carousel of elegant slides "only to find that a sunny afternoon and inadequate curtains render them useless". If it is not possible to see the venue beforehand, he suggests asking the organisers to fax details of layout and facilities.

Even with these safeguards, he advises arriving 45 minutes to an hour beforehand "so you can get the feel of the place and set up your equipment and run through your material".

Novice speakers often try to cram too many facts and figures into their presentations, says Ms Stuart, when the things that really capture the interest of audiences are "personal stories, illustrations, examples that are live and warm". Clearly, some speeches will need to be more factual than others, but she warns against "sacrificing enthusiasm and sparkle on the altar of accuracy".

Mr Johnson, who recently set up a Paris-based consultancy called the Firestarter Company, to help people with their presentation skills, suggests using a Hollywood film technique when preparing a speech.

"When writers want to get backing for a movie, they have to go through a process known as 'the pitch', which involves reducing the idea for a two-hour movie to one line," he says. Boiling down the idea in your own mind to a single theme makes it easier to focus a talk.

Generalising from the particular helps to engage an audience, he argues. For example, if the subject of a talk is "Interactive Television", it might help to portray a typical family of the future and how electronic media might shape its life.

"Signposting" a speech is vital but is so seldom done, says Ms Stuart. The speaker should "share the route map with the audience at the beginning of the presentation," saying, for example, "I'm going to make three points, or I'm going to look at a problem and then give you some solutions". Then, like a journey with a passenger, the landmarks can be pointed out along the way, she says.

Mr Johnson believes the attention span of an adult today is less than 15 seconds. "People will give you about that time before the brain leaps off in another direction – unless you keep their interest." One way of doing this is to make a presentation like a mountain range or series of peaks. Each time the speaker hits a peak, a new slide, video or piece of music should be introduced.

If the presentation is supposed to be about 20 minutes long, it is best to think of it as seven, three-minute presentations. "This discipline will encourage you to focus on, say, seven key points that you want to get across," he says.

Ms Stuart argues that it is difficult to inject life into a talk that is being read. Reading flattens the voice and reduces eye contact with the audience. It also means the speaker has to stand behind a lectern, so the presentation is static and without gesture.

"We recommend people speak from notes so they can extemporise and it sounds fresh. We also get people to stand away from the lectern if they possibly can. A radio microphone that's free of cords enables you to walk around the stage," she says. For the novice, who might be intimidated by this idea, she suggests standing to the side of the lectern, rather than behind it.

Always dress "one up from

> See the venue beforehand or ask the organisers to fax details

the audience," is her rule, so if a conference is over a weekend and the audience is wearing casual clothes, the speaker still needs to wear business dress. "If you wear a woolly sweater just because it's the weekend, you'll probably be perceived as a casual-thinking sort of person," she says.

Finally, if the worse should happen, there is no need to go as far as one speaker. Ms Stuart tells the story of a man who, halfway through a talk, went completely blank and could not remember where he had got up to. He clutched his chest, slithered down the lectern and, pretending to have a heart attack, was duly carted off.

"Very often people get into a panic because they are not breathing well. When they are nervous they tend to take shallow breaths, rather than deep breaths which allow oxygen to the brain," she says.

If the panicking speaker had taken two or three deep breaths and looked at his notes, he would probably have been able to pick up the threads of his talk. He could even have asked the audience to help remind him where he had got to.

Speakers might feel audiences are against them, she says: "But it's not true. The audience wants you to succeed. They so want you to recover from any disaster."

The airlines: by Michael Skapinker

Rude shock for discount passengers

Frequent flyer schemes are likely to alter, rewarding just those who pay higher fares

Only the most dedicated of air travellers will be able to decode the following sentence, from the recent edition of a travel magazine: "Qualiflyer *looks set to become the* Forrest Gump of this year's Freddies."

Forrest Gump – an American film about an awkward young man who, implausibly, becomes a hero – won a string of movie awards. Qualiflyer is the frequent flyer programme of Swissair and Austrian Airlines. Freddies, named for cheap fares pioneer Sir Freddie Laker, are the awards which Inside Flyer, the magazine, gives to the frequent flyer awards most praised by its readers.

The readers liked Qualiflyer best of all, with British Airways Executive Club coming second. Inside Flyer is entirely dedicated to frequent flyer schemes, and the dozens described in its pages are testament to how hard airlines are fighting for customers.

Airline profits have increased over the past year, but most carriers report that fares remain depressed. Hence the fierce competition to win passengers.

In theory, this should be good news for air travellers: fares remain reasonable while airlines fight for their custom, *offering frequent flyer* points, and the accompanying free holidays and other gifts.

As many passengers know, however, the reality of air travel remains the same, with frequent delays, poor food and uninterested staff. Increasingly, many of the perks that airlines promise their passengers are becoming available only to those prepared to pay more for them.

All airline customers are welcome, but those prepared to fly first or business class are more welcome than those who do not.

Flying first or business class does not just mean receiving a wider seat with more legroom. *Fly first class* with *United* Airlines of the US, for example, and a host of other privileges come with the ticket.

There are separate check-in desks, of course, where you are greeted by a concierge to deal with any requests you have. United says it will try to ensure that first class passengers' boarding passes are prepared in advance, eliminating the long minutes the check-in desk computer usually takes to

> Many of the perks that airlines promise their passengers are available only to those prepared to pay more for them

make up its mind about where to put you.

Not only do United first class passengers eat off china plates *rather than from plastic trays*, they can also decide when they want to eat. They are free from the rude shock of being woken from a deep sleep for breakfast; in first class you decide when you want to be woken up for breakfast.

This differentiation between higher-fare paying passengers and the rest has been around for almost as long as air travel, of course. Last year, however, British Airways introduced a new element which has angered many of its old customers.

Starting in November last year, BA said that frequent flyer points and air miles would only go to passengers who paid the full fare on their tickets. Travellers looking for discounts were told they would have to forgo their frequent flyer points.

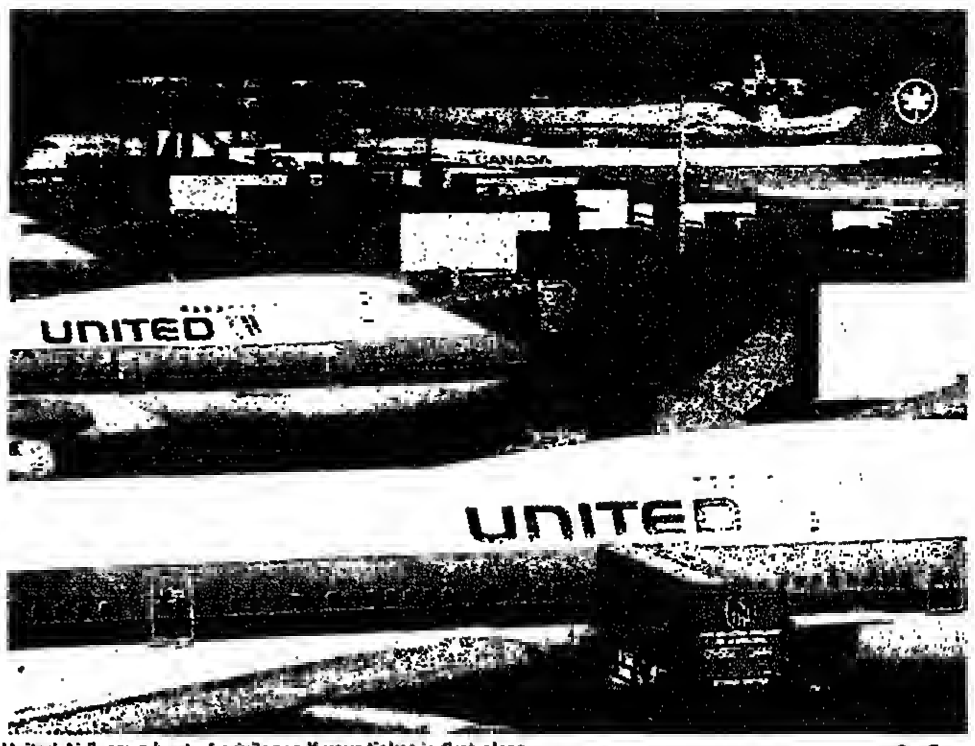
BA said there were simply too many people on its Executive Club scheme. The airline said: "Under the old scheme, we were under-rewarding first and club class tickets and over-rewarding discounted tickets. Our lounges are bursting at the seams. It's a question of *redressing the balance. The* aim is to reward high-yielding travellers, but people on discount tickets were enjoying the benefits."

Mr Randy Petersen, a frequent flyer schemes expert and editor of Inside Flyer, believes travellers will simply have to get used to the sort of changes BA has made. Others, he says, will follow.

He points out: "In any business, it's more challenging to be a trailblazer *than a follower*. You'll see more of these types of changes from other frequent flyer schemes in the year ahead."

BA's changes to its scheme coincided with an upgrading of its first and business class cabins, with the introduction of new first class seats which convert into beds.

Travellers who prefer flying on discounts and believe the large airlines do not value their custom can, to a greater extent than in the past, take their business elsewhere. Budget air travel has been a feature of the US aviation scene for some years. Carriers such as Southwest Airlines and ValuJet have undercut the fares of large airlines by offering fewer services on board.



United Airlines: a host of privileges if your ticket is first-class Gyn Gonn

Although the European airline industry is less competitive than in the US, budget airlines have begun to appear, particularly in the British Isles. Ryanair, a Dublin-based airline, and EasyJet, based at London's Luton airport, have modelled themselves on the cut-price US carriers, offering low fares on short journeys and not serving meals on board.

The airlines fly between UK and Irish cities, but are both planning to extend their services to continental Europe.

■ **Travel agents:** by Scheherazade Daneshkhu

The art of venue-finding

Agents can come up with new ideas and negotiate rates for accommodation and travel

Good organisation is the key to the success of any conference. But finding a venue and arranging travel for a large number of delegates takes time and resources which many companies may ill-afford to spare. Hence the attraction of delegating the work to outside bodies, including business travel agents.

In a survey on the UK conference market, the Meetings Industry Association found that travel agents ranked second, after equipment supply companies, when members were asked which external source they used to help in event organisation.

Mr Roy Tutty, president of the Meetings Industry Association says: "I think business travel agents are an important part of the process for buyers to get the best possible deal in securing venues which do not necessarily have to be hotels."

The association is planning to work more closely with business travel agents. It will provide the Guild of Business Travel Agents, whose members manage 80 per cent of the UK business spend, with its consumer and buyer research.

It is also setting up a 12-member Meetings Industry Advisory Board. "The idea is to get a better understanding of buyers' needs and how best to satisfy demands for services such as state-of-the-art technology and video conferencing," says Mr Tutty.

If conference organisation is time-consuming for companies, the same is true for business travel agents. Travel management companies such as American Express and Hogg Robinson have specialist divisions to handle groups, conferences and incentive travel.

"Venue-finding can take days, especially when you take site visits into account. It's a specialist area involving moving perhaps 200-300 people and the average business travel agent is not geared up to it," says Mr Jeff Reynolds, divisional manager of group travel at Hogg Robinson.

Most business travel agents have venue-finding software with details of possible hotels and other facilities. Since the travel agents are in constant contact with international hotel chains, they are theoretically well-placed to come up with ideas for the venue and to negotiate rates for accommodation and travel. They should also be able to charter aircraft if necessary.

The starting point is the size of the corporate client's budget. The agent then researches the possibilities, including handling correspondence to destinations and comes up with a range of choices for the client.

Business travel agents say there is little evidence that companies are economising on their conference spend but they demand value for money and have become more aware of what is available. "Conferences and incentive travel are a big growth area," says Mr Reynolds. "Now that companies are coming out of recession, they are spending more on training staff. Meetings tend to last longer, perhaps three or four days instead of one or two days a few years ago."

Mr Niall Mackin, director of sales, conference and incentives division at American Express, says the destination and the time of year are the key to getting the best deal. "We have just held a conference in Vancouver partly because it is relatively easy to get to for an international conference but also because it is low season there. We can secure a five-star deluxe hotel if the chosen destination is in low season which, depending on the budget, might be impossible in high season."

> The destination and time of year are the key to the best deal

Another way of keeping costs down is to persuade the company to send delegates on as few flights as possible. "We get big savings if the group travels together or on a maximum of two flights because it's a block booking and groups generally don't cancel," says Mr Reynolds.

When it comes to popular destinations, country hotels are always in demand because of the relaxed atmosphere and range of leisure activities on offer. Internationally, Barcelona, Malta, Cyprus and the US are all popular. Mr Reynolds says Disneyland Paris is also in demand because of its hotels and good transport links.

The range of services offered by larger business travel agents may sometimes exceed the needs of clients. Some companies will want the agent only to find the venue and get delegates to it at the best possible price. Others may want the travel agent to manage the event as well and to appoint representatives at the destination to supply ground transportation and to be behind the help desk at the conference. "Our job doesn't finish the day the conference starts," says Mr Mackin. "We offer overseas representatives and can execute the conference on location."

Payment for conference and incentive services is handled separately from daily travel arrangements between client and business travel agent. Some companies prefer working with agents on a fee basis while others are happy for them to be remunerated by commission from hotels and airlines.

Mr Mackin says the latter case does not conflict with negotiating the best rate. "We negotiate to get the best deal possible which reduces our turnover but is essential if we want to build client loyalty."

■ **Rail services:** by Charles Batchelor

A high-speed future

As networks become established nationally, the next step is to link them across borders

High-speed train services are starting to link the main business and conference centres of Europe, though the number of cross-border connections remains very limited. Most high-speed lines, like their conventional counterparts, have been planned with national travel considerations in mind.

But with the start last year of cross-Channel services linking London, Paris and Brussels, a new era of high-speed international travel has begun. The European Commission, meanwhile, is working on an ambitious programme of trans-European networks (TENs) to put in place of the missing cross-border links.

> Rail travel allows more usable time for work or rest

The response of the airlines to this challenge to their short-haul routes has so far been muted but rapid rail travel has the potential to pose a serious threat within a very few years. Eurostar trains through the Channel tunnel have already seized 40 per cent of the total market and they expect to have reached 50 per cent in early 1996.

Business travel is relatively insensitive to price but is strongly influenced by service quality and speed. Rail services gain by being able to deliver the business traveller directly to a city centre or exhibition complex without the delays and hassle of the journey into town from a distant airport.

Congestion on the ground at many airports and in the air make rail a more attractive option over medium distances, usually involving total travel time of two to three hours including one hour in the air. Apart from offering comparable or even faster speeds door-to-door, rail travel also allows more usable time for work or rest, in a single chunk instead of broken up by waits at check-in, before take-off and in-flight.

In Europe France has the most extensive high-speed network but Italy, Germany and Spain are also hard at work. The UK, Sweden and Belgium are starting to develop high-speed services. Around the world, including Japan, Korea and China, there are nearly 4,300 kilometres of high speed line in service, another 2,400km under construction and 4,700km planned.

France is currently building new connections around Paris to link the lines which radiate out to the south, the west and the north. It has already extended the Paris-Lyon line south to Valence and is currently building a further 300km of track to take services to the Mediterranean coast. There are plans for a new line east from Paris to Metz and Strasbourg.

In Germany, Hanover, the country's largest conference and exhibition centre, has a dedicated high-speed line to Würzburg in the south while Mannheim is linked with Stuttgart. High-speed lines between Hanover and Berlin and Cologne and Frankfurt are currently being built. But high-speed travel is not tied to this limited number of dedicated routes. Intercity Express (ICE) trains run at slower speeds on conventional track to join most large German cities.

Spain, meanwhile, is building a Madrid-Barcelona connection which will provide an unbroken 1,000km high-speed link between Barcelona in the north-east to Seville in the south-west. In Italy the high-speed track between Florence and Rome is being extended south to Naples while there are plans to take the line further north to Bologna and Milan.

As national networks begin to become established, the logical next step is to link them across borders. Eurostar trains currently serve Paris, Brussels and London – though there is no high-speed track on the British side of the Channel tunnel – but there are plans to push services beyond these destinations to Amsterdam and Cologne.

The Thalys service from Paris to Brussels, Amsterdam and Cologne is due to begin later this year. In the south of France there are plans for a cross-border link between Montpellier and Barcelona in Spain and between Lyon and Turin in Italy.

The maximum operating speed on European high-speed lines is 300kph (186mph) but France has plans to run trains at up to 360kph on its new route east of Paris. Speeds of up to 500kph will be possible and may well become the norm within 20 years, according to some rail engineers.

Increased speeds depend on continued refinement of the existing trains with the greater use of lightweight composite materials and improvements to engines and cooling systems. Running services across national boundaries means trains must be capable of running on several different electrical power and signalling systems.

Stowing all this equipment beneath train floors and keeping its weight low is a considerable challenge for the engineers. France's high-speed track is designed to carry trains with a maximum axle weight of 17 tonnes – greater weights are too punishing for the track – while Deutsche Bahn is designing its next generation of ICE trains to weigh a maximum of only 15 tonnes per axle.

> Challenge of running trains on different systems

But high-speed rail travel depends not only on improved trains but also on better signalling systems and track. Drivers cannot read line-side signals at speeds of 300 kph so signalling instructions have to be transmitted by radio to in-cab monitors.

Conventional railway track, based on crushed rock or ballast, is also less suited to high-speed travel and German engineers are looking to substitute track fixed into slabs set in asphalt. This would be more expensive to install but should cut maintenance costs.

Whichever methods are used, building special track to take high-speed services is very costly and rail operators are looking to maximise speeds over conventional or slightly modified track. The answer has been found in tilting trains which can smooth out the curves of conventional track yet maintain speeds of up to 250 kph.

Tilting trains, which are now in use in Sweden, Italy and Germany, are expected to make an even greater contribution to high-speed travel than specially built high-speed expresses. Together, the two technologies are expected to improve the attractions of rail as a means of rapid business travel.

■ **Airports:** by Michael Skapinker

Everything for the global day-tripper

Is there a better place where travellers from around the world can get together?

Schiphol Airport, Amsterdam, boasts a casino – but for transit and departing passengers only

Watching late-night television in the living room at home after an exhausting day at the office is a common experience. Resting at home after spending a tiring day in a foreign country is also becoming increasingly common for many business travellers.

It was during the worldwide recession of the early 1990s that employers began asking staff whether they really needed to spend a night in a hotel when they went to meetings and conferences abroad. Why not get up early, catch the first available flight out, attend to business, go to conferences and meetings and take the last aircraft home?

Not all employees are averse to this idea. It makes for a tiring day but cuts down on time away from the office and family. Travel logistics, however, tend to defeat the objectives of the business day-trip. Where conferences and meetings are held in traffic-congested cities, getting to the venue on time is a problem.

Holding conferences and exhibitions at hotels close to airports is one way of reducing these difficulties. Another alternative is to arrange meetings at the airports themselves.

Airports, of course, offer a large number of flight connections, so that travellers from several different countries can get together for meetings and conferences.

Not all of the arrivals and departures have to be by air. Several airports are promoting themselves as accessible by high-speed rail. Charles de Gaulle airport in Paris is already connected to the high-speed TGV rail system. Frankfurt airport will have its own high-speed railway station by the end of the decade.

Schiphol, Amsterdam's airport, is working hard at promoting itself as an international hub, where travellers can fly in from around the world, conduct their business, and leave. Schiphol also sees itself as a 21st century transport hub, able to transfer passengers between air and high-speed trains.

Several airports have conference facilities in or close to their terminal buildings, so that travellers do not have to risk getting stuck in the traffic into the city centre.

Stansted in Essex, outside London, is one of the less well-used of the capital's airports, although it is one of the most attractive and best designed. There are meeting and conference rooms for up to 40 people. Stansted offers catering to conference goers, as well as overhead and slide projectors.

Last year, Schiphol airport opened what it called the first airport corporate meeting centre in the world where companies can subscribe for space. Companies can take out a subscription which entitles them to organise 15 meetings a year at the centre in rooms which accommodate up to 16 people, with meals available.

Schiphol provides other facilities of the sort that conference-goers might expect to find in large cities, but not at airports. Last year, it opened a casino at the airport. The Schiphol casino is for transit and departing passengers only. Gamblers are not allowed in without a boarding card. The only difference between the Schiphol casino and those in city centres are the frequent flight departure announcements, aimed at those who have become too engrossed in their gambling.

Visitors to Schiphol can even play golf. The courses are not on the green fields outside; they are generated, as virtual reality, by computer. Golfers can choose from one of 24 internationally-renowned golf courses. They then step into a cabin and tee off against a screen, which displays full-size pictures of the real course.

The golf ball hits the screen and then appears to soar through the air to where it would have landed had the game been played for real. The picture on screen then moves on to the next part of the course. The Schiphol golf centre also has a putting green and a golf professional, who is available for give lessons.

The area where many airports now compete with city centres is, however, shopping. The airports owned by BAA, the UK airports group, now earn more from retailing than from the business of handling aircraft. Perfume sales at BAA airports – which include Heathrow and Gatwick in London, Glasgow and Edinburgh – make up 20 per cent of all such sales in the UK.

BAA is spreading its retailing skills to other part of the world. It is already responsible for retailing operations at Pittsburgh airport and last year signed an agreement to run Indianapolis airport. It has expressed an interest in running airports in Australia, which are to be privatised. It also plans to take a controlling stake in the company which operates Naples airport.

■ **Car hire:** by Kate Bevan

Benefits of computer booking

The vehicle can now be arranged when the hotel and the flight are being booked

The days when a traveller arrived at an airport car-hire desk after a long flight and started from scratch are over. Today's conference-goers are reluctant to spend ages filling in endless forms and negotiating on price, only to find that the desired executive mobile with air-conditioning, in-car CD and telephone is not available and all that is left is a battered Mini.

"The market is becoming much more integrated," says the Guild of Business Travel Agents. Travellers are much more likely to arrange their car hire at the same time as booking hotels and flights, partly because it is much easier for UK travel agents to book everything at once through their new computer booking systems.

The guild, whose members handle the bulk of business travel from the UK, says car hire bookings have risen by 25 per cent in the past year since the benefits of computer booking started to feed through.

With a combined turnover of just under £5bn in 1994, the guild has a link with the Avis car hire group, and can offer travellers special rates with that group.

Indeed, no traveller need ever pay the full advertised rate for a car, or for that matter, for a hotel. Special deals and prices abound. There are the rates agreed between car hire companies and corporate buyers of travel; there are local rates and packages; there are special rates which form part of packages for conference-goers, and there are rates for those in membership clubs such as the Hertz #1 Club Gold.

Car hire companies usually have links with airline frequent flyer schemes, too, which means that members of such clubs can add miles to their accounts by choosing an airline partner. For example, members of the Qantas frequent flyer club and the British Airways Executive Club get preferential rates with Hertz. Some corporate travel buyers are not keen on employees picking up individual benefits from business trips, arguing that air miles accrued should revert to the company which paid for the trip in the first place. Others, however, accept that the employee deserves any perks he or she can pick up as a reward for spending time away from home.

Car rental turnover
Percentage change 1990-94

France	+44.9
Italy	+1.4
UK	-1.0
US	+34.8
Germany	-11.8
Spain	+26.3
Japan	+44.9
Canada	+48.1

Source: Euromonitor

Membership of a frequent flyer scheme can bring other benefits for the traveller. "It cuts down on the time spent actually hiring the car," says Ms Kerry Chester of Hertz. "If you're a member of the BA Executive Club or whatever, and give a membership number, all the details are there – the name is up in lights already, and it kicks in the discount automatically."

That is all good news for the conference delegate and the corporate buyer. However, the less good news is that the industry is catching up with economic recovery by increasing prices, and in some cases, returning to the practice of charging mileage fees. Mr Aidan O'Kelly, Hertz UK managing director, said recently: "I would be surprised if rates throughout the industry did not rise by a minimum of 10 per cent [in 1996]. But they will not all be going up at the same time or by the same amount."

Hertz says the pressure to increase prices has come from a sharp rise in insurance costs, as well increased airport concession fees and a fall in the second-hand value of cars.

In spite of complaints from car rental companies about hard times, the market is looking up, according to Euromonitor, the international market research group, with the US market rising most strongly. With almost 1.5m vehicles available for rent, the US market is the biggest by a long way, and Euromonitor values it at $12.4bn in 1994 and growing at a nominal rate of 11.7 per cent since 1993.

Although France contracted by 1.5 per cent between 1993 and 1994, Euromonitor expects a sharp improvement there with growth of 80 per cent over the next five years.

However, turnover in the UK has been declining – perhaps a reason why the return to mileage fees being tried out in the US is not catching on.

In the US, the drift towards mileage fees can lift the cost of hiring a car sharply. Under this method, the driver is charged an additional rate for miles travelled over a set allowance. The trend began with Alamo Rent A Car which experimented with a charge of 20 cents a mile beyond the first 100 miles. Other hire companies have been following suit, including Hertz, which imposed a fee of 25 cents a mile after the first 100 in some cities, and 29 cents per additional mile in New York.

In the case of Hertz, the practice is continuing in some outlets. At corporate locations, which are mainly at main airports and downtown locations in the US, travellers are still offered an all-in rate which includes unlimited mileage. However, at outlets managed by franchisees or licensees, the rate offered will be for limited mileage – that typically now includes the first 100 miles, but drivers are charged 30 cents for each additional mile.

Hertz says its policy varies from country to country, and that it can be cheaper to pick a limited-mileage package if your driving is going to be short local trips.

The decision on car rental usually rests with a corporate travel department which has more clout to negotiate good rates with the provider than the individual conference delegate. But, as with any travel service, it pays to shop around.

Car Rental: The International Market. Euromonitor, 60-61 Britton Street, London EC1M 5NA. £1,595/$3,190

■ South-east Asia: by Bethan Hutton

Where staff are not yet blasé

South-east Asia has some of the fastest-growing tourist destinations and most dynamic economies in the world, so it is hardly aurprising that the past decade has seen strong growth in conferences and exhibitions. The area'a rapidly expanding economies have created demand for regional conferences, as well as attracting business from Europe and north America.

The bulk of the conference market is still intra-regional: all-Asia or east Asian meetings on financial, medical and technological themes. But south-east Asia has also made inroads into the global market. If participants ara coming from all over the world, Hong Kong or Singapore have transport links as good as anywhere else, as well as the *advantage of being seen* by many as exciting, exotic destinations.

Those two self-contained cities are indisputably the premier conference locations in the region. Their positions as air bnba, their advanced infrastructure and concentrated layout, *and the large* number nf top-class hotels all contribute to their pre-eminence.

The advantage of less developed destinations, on the other hand, is that luxury accommodation, complete with international brand names, can be had for considerably less than the equivalent further north in Asia, Europe or America. As one conference organiser says, service is *frequently better* in *these* newer conference locations, as the staff have not yet become blasé about their work.

One of tbe mainstaya of tbe south-east Asian business hospitality market is incentive travel –

> The global appeal of Hong Kong, Singapore and less developed places

internal company "conferences" in an exotic location as a reward for high achievers. Indonesia, the Philippines, Malaysia and Thailand are particularly well placed to ceter for tbis market, with their beach *resorts and lower prices*. However, corporate belt-tightening in Europe and the US has led to slower growth in this area, and Australia, an important regional source of incentive travellers, has extended a fringe benefits tax to incentive trips, which has led to events either being scrapped, or repackaged with a more serious business component.

Tourist offices have plenty of sug*gestions for a recreational* component to the gathering, no matter how serious its main theme. Hong Kong and Singapore are well known for their eating and shopping opportunities, but Hong Kong also offers delegates the chance to take part in dragon boat races, or a *retreat at a* local temple. Beaches and water sports are a big draw throughout the southern part of the region, but for the more adventurous, bow about team-building war games on tropical islands off the Philippines, elephant safaris in Thailand, orang-outaog watching in *Malaysla*, or volcano climbing in Indonesia?

If your conference is strictly business, the choice of venue and range of facilitles ls growlng by the month.

Hong Kong's position as a prime conference location might seem overshadowed by its return to Chinese administration in less than 18 months, but all the building work does not give that impression. Besides the new airport and several five-star hotels, a clear declaration of optimism Is tbe extension to Hong Kong'a main conference venue – the Hong Kong Convention and Exhibition Centre – currently *under construction*, and due to be completed in mid-1997. It will increase the venue's capacity considerably, with one hall capable of aeating 4,500. In addition, the 170,000 sq metre International Trademart Centre, catering mainly to trade exhibitions, opened last year.

Hong Kong tourism officials point to a conference diary with international bookings right up to 2005 as a sign that the business community is also confident of the territory's future. One notable booking is the annual meeting of World Bank group and IMF boards of governors, scheduled for September 1997, two months after the handover.

Singapore is the leading Asian city in the global convention league table published by the Union des Associations Internationales; in *1994* it was ranked *sixth* in the world, the only Asian city in the top 10 for the 12th year running. Singapore bas its eyes on further growth, as the Singapore International Convention and Exhibition Centre, which opened in August 1995, reaches its operating cepacity. Later this year lt will bost the first ministerial conference of the World Trade Organisation.

A sign of optimism: how the extended Hong Kong convention centre will look

The Philippines is celebrating the 20th anniversary of its national conference centre with a big marketing push for 1996, and is also trying to relaunch its image as a business deatination after the political upheavals of recent years. The country's appeal is based on value for money and the widespread *speaking of English*.

Malaysia is also trying to catch up with its competitors in the region. Hotel room numbers are set to increase by almost 42 per cent over the two years to the end of 1996. At the moment, Malaysia's main conference and exhibition facility is the Putra World Trade Centre in Kuala Lumpur, with a main hall capacity of 3,000, but by the middle of this year the capital will have a new conference centre, managed by the Renaissance hotel group, seating up to 1,800. No fewer than three conference centres, with capacities of 3,000-4,000, are planned for Penang, and a further centre is envisaged for Kuantan.

Indonesia has vast potential, but *still suffers from bureaucracy*: conference planners are obliged to go through a local state-approved conference organiser. Infrastructure and communications are improving, bowever, and there is a wide choice of hotels. Jakarta's convention centre can cope with receptions for up to 5,000 people.

Thailand'a largest venue, seating up to 5,200, is the Queen Sirikit National Convention Centre in Bangkok, a sophisticated modern complex opened in 1991. Its biggest gathering this year is likely to be the Rotary International conference in October, to which up to 15,000 delegates are expected.

Several countries are encouraging organisers to look beyond their capital cities, which are often crowded and polluted, to smaller cities or even resorts. These second-tier locations can be well suited to smaller conferences, containable within one botel, or incentive trips. Big exhibitions, bowever, are generally tied to large urban sites. Thailand is promoting its second city, Chiang Mai, and even the resorts of Phuket, as small conference venues. Indonesia is plugging Bali and Bandung as alternatives to Jakarta.

There is still potential for expansion in the region. Cambodia, Burma and Laos have yet to reach the stage of becoming regular stops on the conference circuit – though hotel developars bave already moved in – but Vietnam is making rapid progress in that direction. As the new capacity becomes available, competition is bound to intensify in the region, but the target markets are also expanding.

■ Germany: by Judy Dempsey

Leipzig changes ways

Fair organisers know that city and state support can no longer be taken for granted

The planners and architects of Leipzig's new trade fair centre due to open in April have learned a thing or two about "user friendliness".

"The exhibition complex replaces the old fairgrounds located near the centre of the city which, under the former communists, bad for years hosted two annual fairs, mostly attracting east European enterprises.

Unlike the sprawling trade and fair centre in Berlin, the new Leipzig fair centre is designed not to test the patience and resolve of the visitor, often considered the features of the giant ICC centre in Berlin. Instead, its philosophy is to make access easy, efficient and as problem free as possible for those who work in it.

The days when the visitor or the exhibitor had to walk miles to visit a stall or set up shop may be at an end in Leipzig. Goods can be delivered up to the side entrances of the exhibition halls, public transport is just a stone's throw from the main entrance, the halls are reached through connecting bridges. Above all, the communications system is designed to minimise frustration and increase contacts and sales. For example, Siemens has installed switching and transmission equipment, wortb DM10m. This includes SDH, or Synchronous Digital Hierarchy, allowing the transmission of 622 megabits per second. Multimedia buffs would feel at home.

Leipzig certainly has the benefit of hindsight. But like Germany's other trada and conference centres, it has also benefited from generous financing by the city and state authorities. About DM500m of the construction costs – which will amount to more than DM1.3bn – are to be raised from selling off part of the old fairgrounds. Ownership of the new fairgrounds will be shared between the city and the state of Saxony. They will also share the remainder of the construction costs as well.

Other trade fairs in Germany are also having to adapt. An uncertain financial future looms over them because the cities and *states may soon* be no longer able to afford to continue to subsidise or own them so as to insulate them from genuine competition.

Germany's towns and cities expect a deficit of DM11.9bn this year, a slight improvement on last year's record of DM13.4bn. The organisers representing them expect a difficult year because of lower tax receipts caused largely by slower economic growth.

At the same time, they are

> The days when each fair could flag itself as the annual event for toys, furniture, cars or computers are over

being pressed by the federal authorities in Bonn to privatise, or contract out, certain services. These range from the collection of garbage and provision of clean water supply to the maintenance of swimming pools and playgrounds. There is no reason to suppose that exhibition centres will not be subject to the same discipline.

Though not yet adversely affected by these financial problems, the trade fairs are beginning to realise the pressures they will have to face in the near future.

Under the current arrangements, Germany's exhibition centres are generally owned by the city and state governments. This has considerable advantages. The city and state carry the property costs and employ their own fair organisers. This means that the centres are not under pressure to reap rewards from ticket sales or the amount of space they rent. Instead, they are recognised as important instruments for boosting the local economy. Last year alone, German trade fairs managed to generate revenues of DM3.2bn and another DM11bn in local business, according to the Association of German Fairs.

But Germany's fair organisers do not know how long they can continue to rely on the support of city and state. Which partly explains why so much investment this year is being under*taken* to revamp the fairs, perhaps with the aim of making them attractive for outside management for some of the exhibitions.

Over the next five years, more than DM5bn will be invested in new buildings, which will include modernising the infrastructure of, for example, communications. Over DM800m alone will be allocated to upgrading the Deutsche Messe in Hanover. *This is the world's largest exhibition centre*. It will also bost the Expo 2000 exhibition.

The fairs are changing in another way as well. The days when each fair could flag itself as the annual event for toys, furniture, cars or computers are over. Money is tight. The fairs are beginning to diversify and come up with more ideas to generate revenue and make space earn its living.

Consider Leipzig's punishing schedule for this year. In April, it will kick off with an international automobile fair, followed by 19 other fairs, ranging from multimedia to the conservation and preservation of old buildings. It is no longer the case that one place can be synonymous with an antiques fair are over. Despite generous support from the city and state, Germany's fairs are beginning to compete with each other for exhibitors, visitors and profits.

■ The US – spotlight on Atlanta: by Barbara Harrison

All spruced up for the games

The city hopes to benefit in the long term as this year's Olympics venue wins a hefty share of world attention

Atlanta already ranks as a top US convention city, but the 1996 Centennial Olympic Games are expected to catapult the city to international standing. The city's massive preparations for the games – including $2bn in public and private sector new construction and improvements – "will put us at a whole new level," says Mr Bill Crane, marketing director for the Atlanta Chamber of Commerce.

The Olympics, which will be seen by an estimated global television audience of 3bn, in addition to the 2m spectators who actually attend the games, will win a hefty share of world attention for Atlanta. Yet in the run-up to the games, the city and the state of Georgia have not missed a beat to promote themselves. They hope that this new visibility with foreign business and audiences will translate into increased international investment and convention trade.

The state's current $8m worldwide advertising campaign, "Georgia Global Now," has been placed in prime international business publications and broadcast media, including CNN International, the Asian Wall Street Journal, Nikkei Business and the Financial Times. The Atlanta Chamber of Commerce has been conducting its own promotional campaign for the city, spending about $1m worth on advertising.

Those who visit Atlanta during the Olympics will *see a* remarkably spruced up city. Cbief among the improvements – and one that will certainly make future conference visitors' lives more pleasant – is the Centennial Olympic Park. The 21-acre facility is being built in the centre of town, in effect linking three of the city's main convention facilities, the Georgia World Congress Center, the Georgia Dome and the Atlanta Market Center.

At a cost of $57m, the privately funded park will be a key public gathering place during the games with entertainment and pavilions. It will be then converted to a public park. It is the largest green space added to an American city in 25 years. After the Olympics, a $181m mixed use complex will be built facing the park, including a $32m 318-room Holiday Inn Crowne Plaza Hotel.

Holiday Inn appears to be betting on a rise in convention and business travellers to Atlanta after the Olympics. This marks a departure from what was considered until recently a saturated market for full-service downtown hotels. Their occupancy rate was 68.8 per cent in 1994, but that was the highest for 10 years, during which it averaged around 57 per cent.

The Georgia World Congress and the Georgia Dome are also adding to greenery to the town centre, in a peculiarly American fashion: They will construct a $28m parking garage with a six-acre rooftop park, which they expect will enhance their drawing power.

The city itself is undergoing a downtown facelift, to make it more pedestrian-friendly and, city promoters hope, more attractive for business travellers. *The sidewalks of the main thoroughfares* are being widened and lighting is being improved. Auburn Avenue, the renowned African-American historic district and site of a Martin Luther King Center, will be renovated with new seating, entertainment and shopping areas.

Atlanta's larger hotels have also gone on a renovation spree. Most notably, the Hyatt Regency Atlanta will open its new $35m expansion this month. The hotel, which ranks among the top business facilities in the city, has a new 30,000 sq ft ballroom and a

> A six-acre rooftop park at the $28m garage will add greenery to the town

40,000 sq ft exhibition hall. The expansion increases to 180,000 sq ft its ballroom, meeting and hospitality space.

Other hotels have spruced up, such as the Atlanta Airport Hilton with $6m worth of new carpet, the Atlanta Marriott Northwest with $3.5m of renovation of guest rooms and the Clarion Hotel Downtown with $6m worth of improvements. In addition, 6,000 new botel rooms will have been built between January 1, 1995 and the Olympics. That represents a 12 per cent increase on the total of 55,000 hotel rooms currently available in the Atlanta metropolitan area. However, smaller, limited-service hotels and motels, mostly located in suburban areas, make up the bulk of these.

These improvements are expected to enhance tha city's attractiveness to the convention and exhibition trade. Mr Crane is even bolding back on some of his advertising budget until after the Olympics so that he can then wage a "Look at Atlanta Now" campaign.

The city, which plays host to more than 2.5m conference visitors a year, boasts four major convention or exhibition facilities.

☐ The Georgia World Congress Center, the second largest after Chicago's McCormick Place, is the most booked convention facility in America. With 950,000 sq ft of exhibit space and seating capacity for 100,000, it is already 85 per cent reserved through 2004.

☐ The Dome, which is home to Atlanta's professional football team, the Falcons, and the GWCC will be the sites of various Olympic events this summer and are considered part of the reason why Atlanta won its bid for the games in the first place.

Two other major facilities are:

☐ The Atlanta Market Center, a constellation of four sites with a combined total of 296,000 ft of exhibit space, and

☐ The Georgia International Convention and Trade Center, which, with its adjoining neighbour the Hyatt Atlanta Airport Hotel, has 145,000 sq ft of exhibition space and 48 meeting rooms.

Although the World Congress Center, the Dome and the Atlanta Market Center are all in the heart of Atlanta's downtown, the Georgia International Convention and Trade Center is a two-minute shuttle ride from Hartsfield International Airport.

For information call: Atlanta Convention & Visitors Bureau (404) 521 6600.

■ 'Notebook' computers: by Paul Taylor

Mobile shows made easier

The power to create stunning presentations has been given to a mobile workforce

Over the past decade, the development of easy-to-use software and lightweight portable multimedia personal computers has put the power to create stunning presentations while on the move in the hands of an increasingly mobile workforce.

The market for "notebook" portable PCs is one of the most dynamic segments of the computer industry, fuelled by the growth of flexible working, particularly in the US, western Europe and Japan.

BIS Strategic Decisions, the market research organisation, estimates that there are 26m "mobile professionals" in Europe and 27m in North America – people who spend at least 20 per cent of their time away from their desks. Many of these are executives or sales representatives who need to prepare and give presentations while on the move.

Japanese portable PC manufacturers including Panasonic and NEC led the way with early machines boasting multimedia features. Today most of the main manufacturers of portable notebook PCs including the market leaders, Toshiba, IBM and Apple Computer, supply Pantium processor-based machines which come equipped with CD-Rom drives and sound-cards ready to be plugged into external monitors, electronic projectors or liquid crystal display panels on site.

Some, like IBM's ThinkPad 755CV do not include a built-in CD-Rom drive, but have other features of particular interest for presentations. The 755CV has a wireless infra-red remote device to control the presentation from anywhere in a room and an innovative removable LCD display which can be used as a display panel with a standard overhead projector.

For standard notebook PC users, there is an increasingly broad range of add-on devices including wireless controllers and pointing devices, LCD display panels, lightweight portable electronic projectors and stereo speakers. Other companies such as California-based AITech have assembled bundles of hardware and software designed for mobile presenters.

AITech's "Road Warrior Presenter" is a suite of hardware and software which includes the Astound 2.0 presentation software package, a portable PC to TV converter required for presentations using standard TVs, a wireless mouse pointing device and an appointment and meetings software package.

Other mobile computer manufacturers such as Compaq, with its LTE 5100 machine, and Digital Equipment, with its HighNote Ultra, supply dedicated add-on multimedia modules for their machines – a useful option if multimedia is not always required and weight is a prime concern.

For creating presentations Microsoft's PowerPoint programme, sold separately or as part of the software giant's Office suite, remains highly popular; its latest version, PowerPoint 7, features better animation features and close integration with other parts of the Office package. The software also includes "wizards" – specialised help functions – including an AutoContent wizard which helps new users create presentations in easy steps.

Though PowerPoint sells more copies than any other presentation package and has become a *de facto* standard, Microsoft does not have the market all to itself. Other packages include Micrografix Charisma 4.0, WordPerfect Presentations 2, Gold Disk's Astound and the new Freelance 96 package, as well as SoftKey's much less expensive Key Presenter, which costs just £40 compared with £200-plus for the others but does not allow the creation of slide shows.

In addition, there are specialist design packages such as Corel Draw which provide facilities for illustration and graphic design and animation creation suitable for high quality business and multimedia presentations.

For extended presentations, or those which contain a mixture of video, sound and graphics and high-quality images, CD-Roms provide an ideal high-volume storage medium. The use of CD-Rom-based presentations has been accelerating as the price of equipment capable of recording discs has tumbled.

Meanwhile, the advent of digital video disc promises extended crystal-clear digital video in a virtually indestructible format – unlike video-cassettes whose image degradea over time and with use.

VI CONFERENCES, EXHIBITIONS AND TRAVEL

■ **UK venues:** by Diane Summers

Laggard is starting to catch up

Overseas organisers are now being targeted, with two important projects in the offing

As a venue for international meetings and exhibitions, the UK has some outstanding advantages. The English language is widely used for multicultural business meetings, and is clearly particularly attractive to North Americans wishing to base themselves in Europe for an event.

Travel by air is straightforward, given the UK's position at the world's largest airline crossroads, while the Channel tunnel link has improved communications with mainland Europe.

Cultural, historical, rural and "heritage" attractions can be added to the UK's appeal as a destination, and play an important part in the promotion by the British Tourist Agency of the UK as a venue. Meanwhile, expertise in the organisation and production of events is gaining an international reputation.

However, the UK has been slow to invest in the conference and exhibition sector, or to recognise its wealth-generating potential, industry professionals argue. Nowhere is this more evident than in London, where facilities for world-standard events remain limited.

Mr Mike Rusbridge, chairman of Reed Exhibition Companies, a division of the Anglo-Dutch publisher Reed Elsevier, describes as a "scandal" the fact that the capital has not, until recently, "got behind a plan that will deliver a major purpose-built venue".

The consequence, he adds, is that the UK is "in terms of quality and size of space, way behind continental Europe and America".

The current London plan to which he refers is for the development of what will be known as Excel – Exhibition Centre London – on an 85-acre site at the Royal Victoria Dock in the capital's Docklands area.

This new centre, argues the London Docklands Development Corporation, will go some way to meeting unmet European demand, identified by consultants Touche Ross in 1994. This showed the UK has 13.7 per cent of the demand for exhibition space in Europe, but only 4.4 per cent of the supply. Meanwhile, France meets 16.5 per cent of total European supply, Italy 17.5 per cent and Germany 38.8 per cent.

The first hole in the ground is due to be dug later this year, although planning permission and financing arrangements have yet to be finalised. Ultimately, the intention is for the project to provide 112,000 sq metres of exhibition space, with the first phase due to be completed in 1998. This is planned to provide 46,000 sq metres of lettable exhibition hall space, at a cost of around £100m, while two hotels are also scheduled to open at the same time.

Exhibition facilities

Exhibition centre	Approx gross lettable capacity ('000 sq m)
National (NEC)	157
Royal Docks	112
Earls Court	61
Olympia	41
Scottish (Glasgow)	19
Wembley	17
G-Mex (Manchester)	13
Harrogate	12
Brighton (Metropole)	12

Source: Deloitte and Touche

Mr Stephen Gaimster, LDDC development manager, says response from exhibition organisers for the project has been enthusiastic. "Bookings are being taken for 1998 and a number of firms are in the process of signing letters of intent to put on shows."

The rival Earls Court Olympia, owned by P&O, the shipping group, is sceptical about the Docklands plan. It is pursuing its own development of a site near Heathrow airport. Says Ms Caroline Moore, communications manager: "For the last 20 years, the cry from the exhibition organising community has been that any new exhibition centre in London needs to be built near the main international airport."

Earls Court Olympia's plan is for a first phase of 60,000 sq metres, consisting of three interconnected halls of 20,000 sq metres each, at a cost of £141m-£172m. Negotiations are currently taking place on land acquisition, and the project, says Ms Moore, has the full support of the local authority, Hillingdon Council, and is in partnership with the British Airports Authority. The plan is to complete phase one for the end of the century.

Plans for the celebration of the millennium itself are already providing excitement for the UK exhibition business, with intense rivalry between Greenwich, London and the National Exhibition Centre, Birmingham, as potential sites for a £100m year-long exhibition. A final decision on the venue had not been announced at the time of going to press.

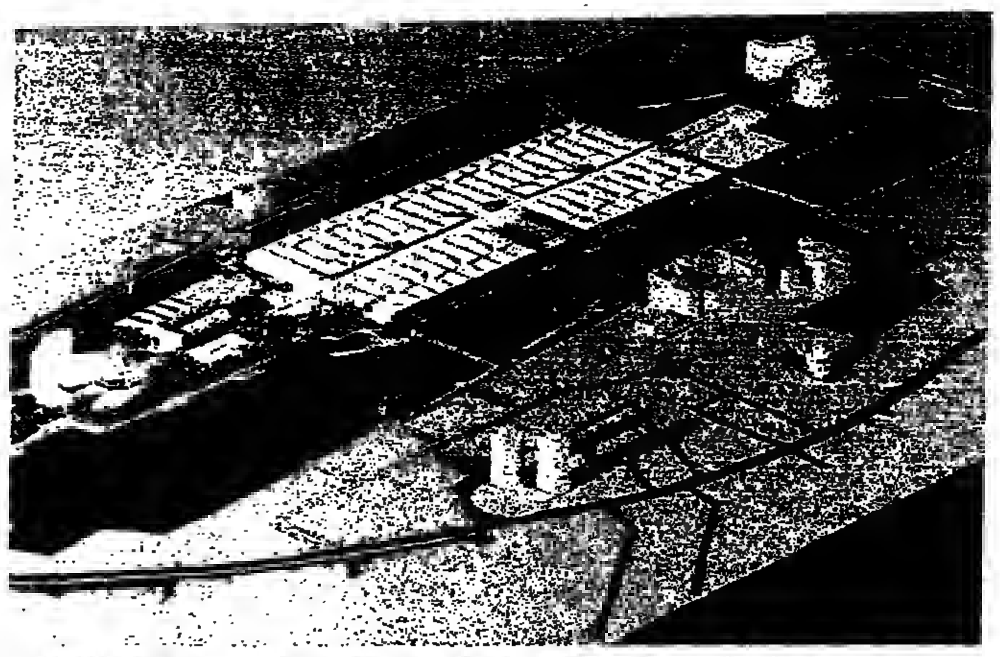
Meanwhile, the newly-launched partnership organisation, Conventions Great Britain, which evolved from the British Conference and Exhibition Export Council, is renewing its efforts to promote to overseas organisers venues that are outside, as well as in, the capital and Birmingham.

The eight centres which make up Conventions Great Britain are:

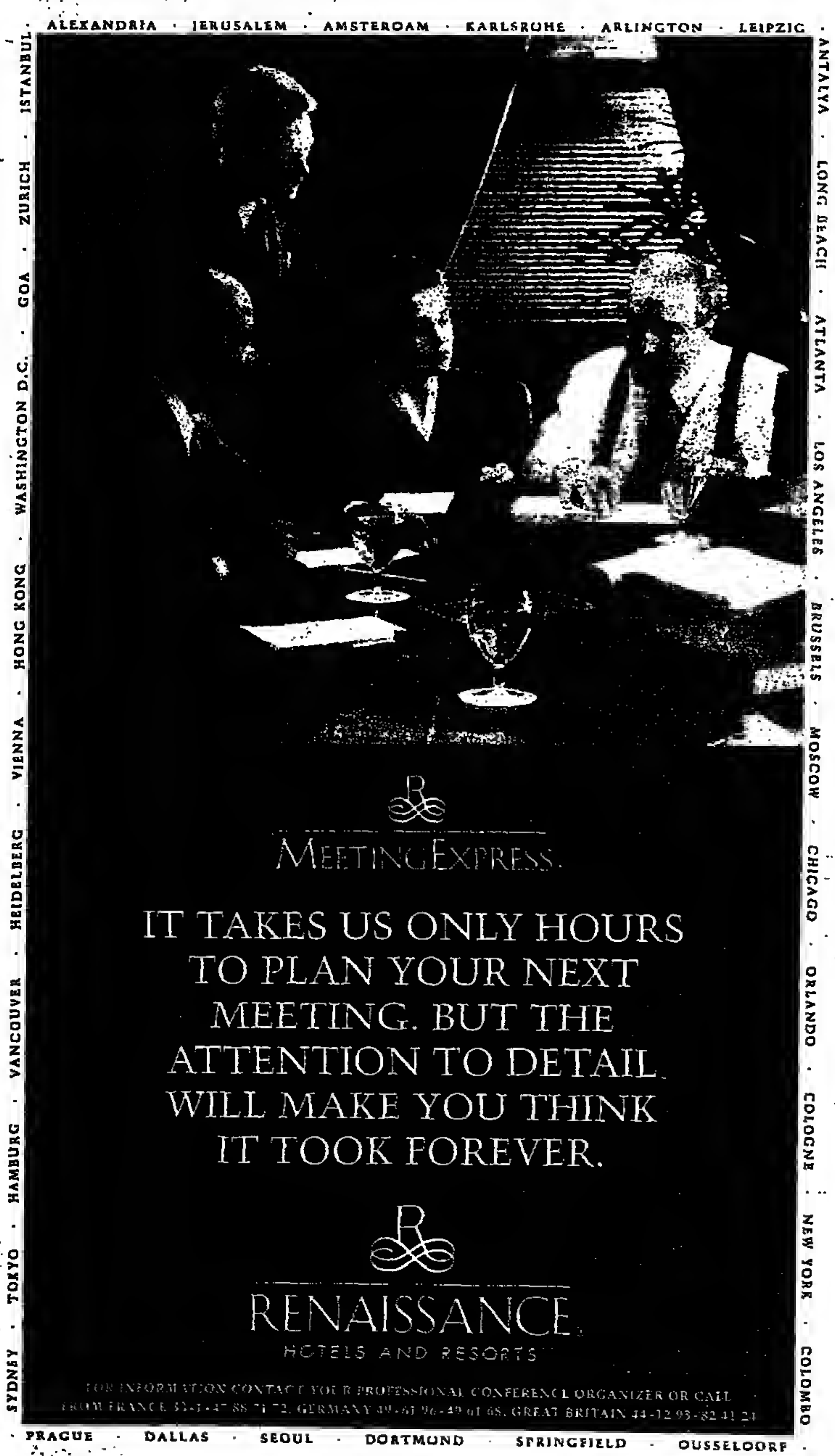
- Bournemouth International Centre;
- Brighton Conference Centre;
- St David's Hall, Cardiff;
- Edinburgh International Conference Centre;
- Harrogate International Centre;
- National Exhibition Centre Group, Birmingham;
- Queen Elizabeth II Conference Centre, London and
- Scottish Exhibition Conference Centre, Glasgow.

Overseas conference organisers who are considering whether to buy British can now get access to information on the participating venues from their local British Tourist Authority office, and trips for prospective clients are arranged where appropriate, says the group.

The newest entrant on the conference and exhibitions scene, and a beneficiary of the ceasefire in Northern Ireland, is the £29m Belfast Waterfront Hall, due to be opened in 1997. Already, the British Medical Association has booked its annual meeting there in 1999 – the first time it will have visited Belfast for 37 years. The Geological Society, the Irish Congress of Trade Unions and the Royal College of Nursing have also made provisional reservations.



It is hoped that work on Exhibition Centre London, in the Docklands, will start later this year



■ **Using technology:** by Paul Taylor

Presentations get a new look

Technical hitches – such as slides jamming or going out of focus – are a thing of the past

Digital technology has provided a new set of feature-rich tools for those who prepare, organise and run conferences, exhibitions and presentations and could eventually herald the demise of the overhead transparency.

The multimedia projection market in particular is growing rapidly as companies and other organisations turn to sophisticated software and mixed audio, video and computer generated graphics to improve their communications.

"The convergence of mobile computing, presentation development software and multimedia is serving as a catalyst for dramatic market growth," says In Focus Systems, an Oregon-based equipment specialist whose portable products are used worldwide by companies such as Coca-Cola, Motorola, Alcatel, Siemens and Intel.

Market researchers suggest that the multimedia projection market, consisting of liquid crystal display panels and electronic projectors capable of handling data only or video and data will grow from around $950m now to be worth about $2.6bn by the end of 1997.

LCD panels are used in conjunction with overhead projectors and can project photo-realistic images, charts and graphs, taking their input from a personal computer or a Macintosh, while electronic projectors have their own light sources.

"Images such as bright, colourful data, animated graphics, videos and straightforward text are projected directly from a personal computer, workstation or other electronic device with remote control facility instead of a mouse," says In Focus. "This facility allows the computer to be operated from anywhere in the room."

Many presentations these days are compiled on desktop or portable computers using software such as Microsoft's PowerPoint package. This means that sophisticated presentations – complete with graphs that grow and bar charts which fill – can be put together in days rather than weeks and can be easily changed, even at the last minute.

Aside from speed of preparation, flexibility and cost savings the other key advantage of using this equipment is that it can be combined with high-impact stereo or surround sound and large screen displays or "video-walls" to capture and retain the audience's attention.

For very high quality image slides, which can be shown using Barco projectors – these can be hired from presentation equipment specialists or are standard equipment at a few top venues – most production companies use highly specialised computer graphics equipment such as Inscriber or CadSoft systems.

These graphics systems produce near-photographic quality results and have made the technical hitches that bedevilled older-style presentations, such as slides jamming or going out of focus, a thing of the past.

But despite the limitations of older equipment such as autocue devices, lecterns and photographic slide projectors, most business communications experts acknowledge that they still have a role to play in low cost presentations – their usage may decline but they are unlikely to disappear completely.

Many conference organisers have recognised that audiences no longer want to be "talked at" by speakers hidden behind lecterns or reading from an autocue devices against a tedious transparency or slide-show backdrop. Today the emphasis is on smaller and more intimate meetings, presentations illustrated with slick computer-generated graphics and conferences punctuated by "break-out" sessions, seminars and workshops to involve the audience.

Some organisations – particularly of pan-continental events such as IBM's launch of its OS2/Warp PC operating system in New York, Sydney and London – still rely on extravagant presentations featuring special effects, but most technology is being used to cut lead times and make productions more interesting, relevant and accessible.

Response systems provide another means of involving an audience directly in an event. For example, wireless infra-red hand-held numeric keypads enable an audience to key in a response to a presenter's question, register an opinion or exchange information – responses which can then be captured by computer and displayed simultaneously or evaluated later.

Similarly, while business television using satellite transponders and roof-top dishes provides a means to disseminate training material or important company information to a geographically fragmented audience, responses can be collected from remote sites and sent via a modem to the broadcast site where they can be collated and relayed immediately back to the audience, creating an interactive communication loop.

Companies and others are also experimenting with new delivery mechanisms for their

The Internet opens the way to "virtual" presentation

messages such as the Internet where three-dimensional software authoring tools enable them to create a "virtual" presentation accessible either internally or to a much wider audience using standard "web-browser" software.

Other organisations, including the Canadian Museum of Civilisation in Hull, Quebec, have begun experimenting with laser generated digital 3-D stereoscopic images to create a "virtual display" which museum goers wearing special glasses can walk around and "manipulate" the ice-age exhibits without actually touching them.

Inevitably, the demand for increasingly sophisticated presentations has created a rapidly expanding market for external business conference agencies and consultants capable of producing live events, conferences and roadshows. These include specialists such as the Queen Elizabeth II Conference Centre's Interface team created in October to help clients with equipment choices and all aspects of production.

"We are not in competition with the big production companies," explains Ms Gill Price, the centre's commercial director, "rather, we provide a service that fits in somewhere between DIY and using a major production company, although we also provide a valuable service to other production companies."

Using Interface's on-site editing suite, clients can have their events recorded and edited for use as corporate videos, promotional material, staff training or for archiva and reference. Using the team also means only dealing with one supplier and paying one bill.

There is little doubt that digital technology will continue to influence the design, content and presentation of events. However, most industry specialists emphasise that content is always more important than technology and gizmos – communications experts stress that the most effective technology enhances content, rather than obscures it.

EUROPEAN POSTAL SYSTEMS

Widespread drive for reforms is under way

The European Post Offices may be well advised to look outside the postal sector both for models and to identify potential threats, writes Charles Batchelor

Postal services in Europe and around the world are undergoing a period of rapid change. Many of the assumptions which have governed international postal relationships since the signing of the Berne Treaty in 1874 are being *questioned*.

Postal administrations are under pressure to become more commercial. They are being squeezed by competition from the rapidly expanding express courier companies; in some cases by governments keen to shift the burden of subsidising losses and financing investment to the private sector; and by customers who are demanding a better quality of service.

But the move towards greater commercial efficiency has not been welcomed universally. In Britain, worries about the future of small, often rural, post offices prompted the government to step back from plans to privatise the Post Office. In Europe generally, fears about the possible threat to postal jobs has prompted resistance to European Commission proposals for liberalisation, while in Japan concern about the post office's role in managing savings accounts has prompted similar caution.

Despite these countervailing pressures, the momentum for change is increasing. Tha Universal Postal Union, a United Nations body representing 189 postal administrations, is still formulating its response to a draft European Union directive liberalising postal services. But Mr Thomas Leavey, director-geoeral of the UPU, is cautiously optimistic that change will be accepted.

"I think the directive will meet general support," he says. "A lot of administrations around the world are trying different models. We recommend a corporate structure involving management and financial autonomy. This gives the freedom to the post office to act as a business but with control by a regulator. Commercial competition, particularly for international mail, is tougher than ever."

The European Commission's proposals, cootained in a draft directive pnblished last December, represent a careful compromise between the snpporters of a far-reaching liberalisation of services and those who want to make progress more slowly.

A key aim of the directive is to maintain a universal postal service to tha most remote rural areas as well as to large cities. The Commission believes that this requires the postal administrations to retain a monopoly over the basic latter service: that is the collection, sorting and delivery of items of up to 350g.

The post offices would also be able to retain control of the distribution of incoming cross-border mail and direct mail until December 31 2000 "if necessary for the financial equilibrium of universal service providers." To ensure that the post offices are not subsidising services such as parcels and express mail, which do not fall into these reserved categories, they will be required to maintain separate accounts for the reserved and non-reserved sectors.

Independent regulators would have to be appointed to ensure the post offices comply with the directive and with national and European Union competition rules, the Commission suggested.

Publicatioo of the draft directive, which had been long delayed, has been welcomed by the private express delivery companies. But they remain concerned that, by failing to provide a clear definition of cross-subsidy, it still leaves room for the postal authorities to devote monopoly revenues to paying for the fixed costs of competing services.

The European Express Organisation, which represents dalivery companies such as Deutsche Paket Dienst, FedEx, GD Express Worldwide and Uoited Parcels Service, is also concerned that international mail deliveries will not be freed immediately. There was no evideoce that liberalising cross-border mail would hurt the post offices, it said.

But it is oot only the private courier companies which want to take cootrol of deliveries from door to door. The national post offices are also concerned that they cannot control the speed and quality of delivery in the destinatioo country. "We want to manage the process all the way through," said Mr Joho Dunlop, director general manager of the UK Post Office's international activities.

Improving international deliveries has in the past been held up by what some postal administratioos felt were inadequate levels of payment to the destination country. This has been changed by an agreement reached by members of the International Post Corporation, grouping administrations in Europe and North America, for destination countries to receive higher payments, amounting to 80 per cent of their domestic tariffs provided they can guarantee an improved delivery performance.

Whereas in most areas of privatisation the UK has taken the lead, in the field of postal services it lags behind several other European countries. The profitable Dutch Post Office was floated on the Amsterdam stock exchange in 1994. Sweden and Finland have liberalised their markets with the Swedish post office losing its letters monopoly in 1993. The German Post Office, is due to float an initial tranche of its shares on the stock market in 1998.

The Dutch have been adept at exploiting new markets and have built up a stroog position in the field of remailing. This is the bulk shipment of items of mail to a foreign postal administration which can process and mail them on more cheaply than would be possible from the customer's home post office. Thanks to a joint venture with the Dutch airline KLM, the Dutch post office flies in foreign post, mainly magazines and periodicals, to the Netherlands. It then wraps, addresses, labels and ships the magazines on to the rest of Europe, often using its own road haulage company.

The German post office is keen to consolidate its position in the field of financial services and has launched a bid for Postbank, the German state-owned postal savings bank. The post office originally proposed taking a 40 per cent stake in the bank but the government now appears to favour a more modest shareholding – of 25 per cent plus one share. The aim is to establish a close relationship but not to give the post office too much control.

In the UK, plans to sell off the Post Office were abandoned at the end of 1994 after Conservative MPs warned the government of a rebellioo if it persisted with its programme. The Post Office's management were keen to be privatised to free the organisation from Treasury spending controls and the need to pay a large part of profits to the government.

Mr John Roberts, Post Office chief executive for the past three months, accepts that the indepeodence or otherwise of the organisation is a matter for the government. The Post Office is already highly profitable – it made a pre-tax profit of £472m last year – but he ontlines the three methods he sees for improving performance still further: investing in automation, raising prices and cutting costs.

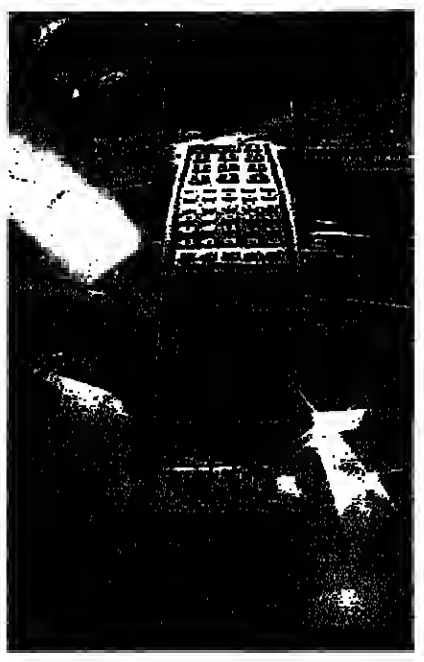
There is a £200m programme spread over the next five to seven years to integrate the sorting and processing of mail. At present mail is sorted, stamped and coded on separate machines but the Post Office plans to bring in equipment which can do all three. It is also working jointly with the Department of Social Security on a £150m project to computerise the payment of pensions and other benefits.

Like its cootinental European counterparts, the UK Post Office has been extending the range of services on offer to include foreign currency exchange facilities, travel insurance, lottery ticket sales and cash transfers. Postal charges have been held steady at 19p for second class mail and 25p for a first class letter for the past 2½ years, but are expected to rise by at least 1p a letter in the summer. Meanwhile, cost savings of £100m are planned over the next three years.

"Ten years ago people would not have said the Post Office was good value for money, but that has changed," says Mr Roberts. "We deliver 93 per cent of first class mail the next day." But continuous improvement is called for. "There are bits in different post offices around the world which are good models but we should benchmark ourselves against non-postal organisations too. We look at companies like Xerox and Hewlett Packard for the way they focus on their customers."

The European Post Offices may be well advised to look ontside the postal sector both for models and to identify potential threats. The greatest challenge to their traditional business is likely to come not from rival postal administrations but from competing electronic technologies.

In Germany (left), Britain and throughout Europe, the momentum for change is increasing



Europe's postal services are finding new roles for new technology.

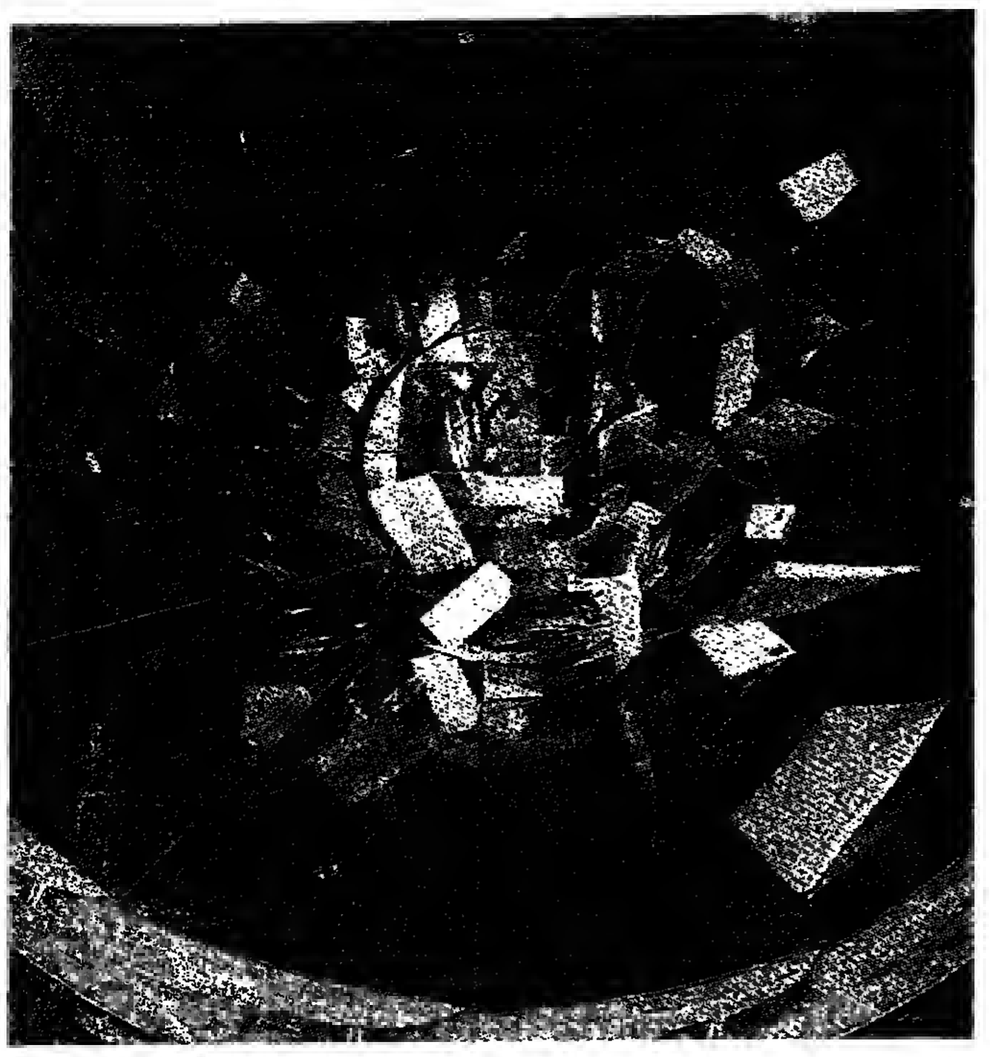
Above: Royal Mail uses bar codes to record information about items in transit.

Right: the electronic mail centre at Mount Pleasant in London sends out business mailings 24 hours a day, seven days a week

Technology and future services: by John Kavanagh

Investment spawns spin-offs

Post offices belonging to International Data Post can offer overnight delivery internationally



From the top: Technology in action: Royal Mail segregation machine; Hine: 'advanced systems are creating dozens of opportunities'; Mole: 'countries are screaming for the International Postal System project'

Pioneering postal authorities are developing mail services which involve collecting letters from post boxes but never actually delivering them. Instead, they are capturing the information contained in the letters and delivering it electronically.

These and other services are spin-offs from new investment in technology originally intended merely to automate mail handling at sorting offices and to provide better tracking of registered items.

The new systems, plus constant advances in automated character recognition, have come at a time when social mail, generally hand-written, has fallen to less than 10 per cent of the total, and more than three-quarters of all mail is generated by computer. This means that well over two-thirds of addresses can be read automatically.

But merely reading addresses and sorting items automatically is now yesterday's news. The most advanced systems currently being installed by a handful of national post offices go beyond looking for the address on an envelope and can scan both sides of a mail item in a single pass.

This is creating dozens of opportunities, according to Mr Duncan Hine, director of technology at the UK's Royal Mail, which is leading the way with a £193m investment in technology over the next two years. It is the biggest single investment in Royal Mail's history.

"The system enables us to gather information from mail items and just deliver the information rather than the whole item," Dr Hine says.

"Such services could be used by companies which send out cards to be filled in and returned: for example for competitions or for placing orders or completing questionnaires with tick-boxes. The items could bear marks such as bar codes to identify the addressee and the nature of the item. We are scanning the items anyway, for the address, so we can collect the data at the same time and send it on electronically.

"We can use information from the envelope internally, for example to analyse the types of stamp being used.

"All such facilities can be set up quite easily these days because the equipment is controlled by computer software: introducing new services is largely a matter of programming."

The combination of traditional mail with electronic transmission is already becoming established across Europe, both nationally and internationally through International Data Post.

Companies typically give their post office copies of their letterheads, invoices or other documents to be mailed. These are stored electronically. Companies can then send the text of a mailing with a database of names and addresses to the post office, which prints the documents, puts them in envelopes and mails them. The information can be sent to the post office on disc or over a telecommunications link.

International Data Post says this service brings "substantial savings" with the elimination of printing and manual handling, off-setting the service costs.

Mr Hine at Royal Mail points also to the potential for companies to improve their own customer service: Royal Mail, for example, can accept text up to 7pm for posting the same day.

"Someone phoning an insurance company at 6.30pm for a quotation could get a written confirmation the next morning," Dr Hine says.

Royal Mail launched its service in November and is now handling 1m items a month, including all invoicing for software market leader Microsoft.

Post offices belonging to International Data Post – initially those in Scandinavian countries but now also Germany, France, Italy and elsewhere – can offer overnight delivery internationally because the documents are printed and handled at the Data Post centre nearest to the addressee. This eliminates the delay of two or three days normally associated with international mail in Europe. Indeed, some companies use the service to send just one letter, instead of using a courier.

In some countries, the post office offers the option of distinctive envelopes for these services. The envelopes indicate to the recipient that the letter has arrived in a special way and are known to increase mailshot response rates by as much as 40 per cent.

"These services enable companies to take advantage of the fact that more than 75 per cent of all letters start life on a computer," Mr Hine says. "Electronic services offer a link from the computer to traditional mail."

Another computer-to-post service gaining ground can involve no human involvement at all at the sending end. This service has been born out of growth in electronic data interchange (EDI), the exchange of routine business documents such as orders and invoices in a standard format between computers operated by trading partners. Orders are often triggered automatically when an inventory control system detects that stocks have reached a specified level.

Big companies find the benefits ranging from administrative savings to just-in-time ordering are so great that they force their suppliers to trade in this way. But small companies often lack computing skills and are reluctant to buy the necessary software and telecoms services.

Some post offices therefore now offer to act as a company's EDI mailbox, receiving orders electronically from its big customers and converting the coded data into printed documents which are then sent by post. This enables the big EDI user to benefit from electronic trading while allowing the smaller company to continue with traditional methods.

Royal Mail, the first to introduce this service in 1992, is now considering extending the principle to electronic mail, again receiving mail electronically and printing and posting it.

EDI is also increasingly being used between national post offices to exchange data on batches of registered items. The information lets the receiving post office know what to expect and enables both the sending and receiving country to track the progress of individual items. Batches and individual items are marked with bar codes, which can be read electronically at key points, such as at the customer's local post office, or at an airport and when an item is delivered.

The use of computer links between national post offices is set to take off this year as the Universal Postal Union's International Postal System project starts to roll.

The union, representing 189 postal authorities, developed the software after requests from developing countries in particular. They were being approached by national postal services, notably the Canadian service, to buy systems which have already been adopted in small numbers in North America and Europe. Developing countries argued that they could not afford such systems and were concerned about support, so the Universal Postal Union set up the International Postal System project.

The system, developed with funding mainly from Australia and Japan, runs on a personal computer and is being offered free of charge to the union's member countries. It enables any postal service to join in the tracking and tracing of international mail by providing many of the facilities which post offices in richer countries have already developed for themselves.

"This project is a top priority for developing countries," says Mr Tom Leavey, director-general of the Universal Postal Union in Berne, Switzerland. "We need to update our services to meet customers' demands for information on the progress of their items."

A pilot trial between Australia and Israel starts in March and installation will begin in earnest in May.

"There are 30-40 countries in central Europe, the Middle East, the Far East and South America screaming for the system," says Mr Stan Mole, a specialist consultant who is working with computer company NCR, the union's official system installer. "Even some countries in western Europe, which have their own systems, are considering it.

"Post offices know that if they are to compete with integrated couriers, which have their own aircraft and vehicles across the world, they must get their act together internationally."

Mr Hine takes a more positive view of the impact of technology.

"Our investment is not a response to couriers," he says. "We don't see communication as a choice between the post, the Internet, the phone and data communications, but the best combination of any or all of these."

He adds: "Besides, communication breeds communication: the number of letters is still growing."

Liberalisation: by Michael Cassell

The door is opening slowly

The European Commission's step-by-step strategy envisages only minimal competition before the end of the decade

Brussels may be proving ultra-cautious in liberalising postal services across Europe but a growing army of private distribution specialists is already exploiting widespread dissatisfaction among customers of the big, national monopolies.

Mr Elio Di Rupo, the Belgian communications minister, has claimed that Europe's postal businesses are not yet ready for the "electric shock" of competition. But while the door is only opening slowly, the fight to win a share of postal markets previously denied to private operators is intensifying.

As the politicians struggle to limit the repercussions of liberalisation – not least the possible impact on jobs in a sector which employs nearly 2m people – private postal and parcel operators accuse the European Commission of being more worried about protecting high-charging monopolies than in permitting proper competition. Of particular concern is the cross-subsidisation by the postal monopolies of their loss-making parcel services.

Moves towards reshaping the scope and structure of European postal services have been cautious; the Commission's step-by-step strategy envisages only minimal competition before the end of the decade. At the end of last year, Brussels agreed to delay publication of a "notice" clarifying how it intended to apply competition rules in the postal services sector and said it would not apply the notice until the end of this year.

Under Commission proposals – considerably watered down in the face of reluctance by member states to proceed too quickly – national monopolies will maintain control over all post weighing less than 350g: a large part of the market given that the average letter weighs only 15g.

Incoming cross-border mail and direct mail, the latter an important source of revenue for post offices, will not be opened to competition until 2001 and then only if a Commission review gives the go-ahead.

Together, the current EU proposals mean that 80 per cent of all mail will for the time being remain within the control of national monopolies, inevitably limiting room for expansion by other operators.

Few of the state-run postal businesses have impressive financial pedigrees; services in Sweden and Holland make profits along with Britain's post office.

Mr John Roberts, chief executive of the British Post Office – still denied the commercial freedom of privatisation but recording pre-tax profits of £472m in 1994-95 – recently made clear that new opportunities in European postal markets were no longer to be left unexplored.

Before Christmas, he made clear his organisation's determination to try and win business in continental Europe – possibly starting as early as this year – within the national and EU competition constraints placed upon it.

> Deutsche Post notched up its first profit in 1994

With one eye on competitors such as the Dutch, who also handle significant (although possibly over-estimated) volumes of re-mailing business, Mr Roberts warned that the Post Office would be responding aggressively to companies "entering our backyard to poach business".

But the majority of European postal service operators have fewer grounds for confidence; losses in Italy have been mountainous – reaching a peak of £1.7bn in 1993 – while the French post office lost £130m in 1995. Deutsche Post, the company operating German mail services which plans a partial flotation in 1998, managed to notch up its first profit in 1994.

Against this background, private operators are inevitably accused of wanting to "cherry pick" the most promising market areas, exploiting the potential profitability of some markets without having to bear the heavy financial burden of providing comprehensive, national postal services.

Their experiences so far have been mixed. Some companies which started out with big ambitions have withdrawn. On the other hand, United Parcel Service has been sufficiently encouraged by the dismantling of European borders to invest a planned £1bn in further expanding its continental European delivery services.

Heavy investment in the provision of express parcel and other freight delivery services has been made by national and global delivery service companies as well as more traditional forwarding and distribution operators – all offering time-definite delivery services.

Exporters wanting goods delivered across European markets now have an extensive choice of options, given the increasing number of combinations of air, road and rail transport available.

Service providers such as DHL Worldwide Express, UPS and TNT Express Worldwide now claim they can provide fast and reliable delivery throughout Europe using their own fleets. UK-based national operators such as Parceline, Securicor Omega Express and Lynx Express have also struck up multinational partnerships which they claim are able to provide efficient, fast services.

Parcelforce, for example, which operates a two-day delivery service to main cities across Europe, has partnerships with six private sector carriers in Europe to further expand its international network.

Despite claims by some specialists that they are now in a position to offer a comprehensive delivery service across Europe, many customers still remain reluctant to forge close ties with any operator claiming to provide a total transport and distribution service. It will not be long, however, before the option becomes more widely available and workable.

One additional opportunity for express delivery specialists has arisen with the opening of the channel tunnel. After a cautious initial response from operators, traffic under the Channel is increasing.

Whatever their preferred methods of operation, most of the new breed of global and national delivery specialists exploiting opportunities in a fast-expanding, cross-border market place accept there is room for improvement and are re-examining and sharpening up services. With further liberalisation down the road, they will not be going away, whatever concerns may prevail in Brussels.

Joint ventures: by Ronald van de Krol

Wholesale transformation

GD Express Worldwide is the most compelling international example of co-operation between the public and private sectors in postal services

The world of express mail is undergoing wholesale transformation, thanks in part to a four-year-old joint venture between TNT, the Australian transport group, and the post offices of Germany, France, Sweden, the Netherlands and Canada.

As part of changes introduced by the joint venture, the Canadian and French post offices launched an alternative to the existing Express Mail Service (EMS) system last year. The new service, called Skypak, is also scheduled to be introduced in the Netherlands, Germany and Sweden in 1996.

Skypak, aimed at small businesses and professionals such as lawyers and accountants, allows customers to buy pre-paid courier-type envelopes and boxes at post offices. This pre-paid method contrasts with most courier organisations, which are aimed at bigger customers who have accounts and who are billed later for the services they use.

When handed in at a post office in participating countries, the envelopes (for documents) and boxes (for small parcels) can be sent to any country in the world, using TNT's international infrastructure of 636 depots, 3,600 vans and trucks, and 28 aircraft. The product comes in a range of envelopes and boxes, priced according to weight and destination.

The service is the first public expression of the decision in 1991 by the five European post office organisations to link up with TNT. The move was a surprise at the time, because it brought together the public sector and a private-sector company. Since then, the two worlds have been rapidly moving together, due partly to a growing interest in post office privatisation and the need for greater efficiency.

The jointly-owned company, called GD Express Worldwide and set up in 1992, is now well-established. It has autonomy from its shareholders, and has independent management located in Amsterdam.

To the outside world, the company trades under the name TNT Express Worldwide, one of the world's four international air express "integrators" alongside DHL, UPS and FedEx. The tie-up was designed to help the five post offices improve the international reliability of the express mail service (EMS) and bring standards in line with their domestic levels. The new company rapidly concluded that there were defects in the EMS product, used by more than 120 postal organisations worldwide.

Mr John Fellows, GD Express Worldwide's chief executive officer, said EMS did not meet customer expectations. "Customers demanded at the very least a trace and track system," he said, referring to the bar codes on Skypak envelopes which enable shippers to know where any consignment is at any given moment. Another minimum requirement was a published service standard. "Before, post offices had no method of enforcing standards once an envelope left their [national] borders."

In Canada and France, where Skypak has existed for a year, the new brand has completely replaced EMS.

Mr Fellows said GD Express Worldwide was negotiating with about half a dozen countries on use of the Skypak brand through contractual, franchising agreements. Results were expected later in 1996 or in 1997. However, there were no plans to expand the number of post offices with an equity stake in GD Express.

He added that there were also no plans to set up Skypak collection boxes similar to those operated by FedEx on street corners in US cities. "It is a question of volume. Once you get to a certain volume, it might become appropriate and economically feasible to have drop boxes," he said.

John Fellows: 'EMS did not meet customer expectations'

Skypak is just one of the GD Express Worldwide "brands". The best known is TNT Express Worldwide, an express distributor of documents, parcels and freight. *Cargo Facts*, the trade publication, estimated that the TNT-GD Express share of the international air express market was 11.5 per cent, virtually similar to UPS's 12 per cent and behind DHL, with 44 per cent, and FedEx, with 21 per cent.

Mr Fellows said GD Express Worldwide expected to be able to post its first full-year profit in 1996, after managing to produce three consecutive quarters of profit in 1995.

Turnover has grown from Fl 1.9bn ($1.2bn) in the 1991-92 financial year to Fl 2.6bn in 1994-95. The underlying rise was even larger but has been masked by the fact the company reports in guilders, one of the world's strongest currencies.

The 1992 joint venture suited both partners – TNT and GD Net, a consortium formed by the five post offices. TNT had run up heavy losses in Europe trying to expand in both truck and air distribution.

The post offices, all run by people with experience of the private sector, wanted a vehicle for managing and controlling the flow of their international express mail right up to the point of delivery. In return, they were prepared to inject a substantial, but undisclosed, amount of cash into the venture, helping TNT to reduce debt.

GD Express Worldwide is the most compelling international example of co-operation between the public and private sectors in postal services. But not every form of partnership needs to involve equity ownership.

Parcelforce of the UK, part of the British Post Office, has also stepped up its use of private-sector partners in delivering packages to their final destinations outside Britain. "We used to rely solely on other post offices but these services now generally go out on open tender," Mr Christopher Bishop, general manager of Parcelforce International, said.

"We now have 10 private-sector partners, but without the necessity of investing in their share capital," he said.

Harmonisation: by Phillip Hastings

Final timing still uncertain

The focal point for current EC efforts to harmonise postal service quality is a draft directive published by its posts and telecommunications directorate, DG13

European Commission efforts to improve and harmonise postal service quality standards within the European Union are slowly making progress. However, the final shape and timing of that harmonisation is still uncertain as political wrangling within the EC continues.

Further complicating the picture is a separate push by the post office co-ordination body PostEurop to try to improve cross-border services with new arrangements for terminal dues – the means by which post offices pay each other for delivering incoming international mail.

The focal point for current EC efforts to harmonise postal service quality is a draft directive published by its posts and telecommunications directorate, DG13. Basically, the directive calls for retention of a "universal" postal service – in other words, the availability of standard mail services at economic and uniform prices for everyone within the EU. In that context, it defines harmonised criteria for the services which might be reserved for the universal service providers, which at present are *the national post offices*.

That "reserved" business, says the directive, should involve "domestic mail which does not weigh more than 350 grams and where the tariff is below five times the basic tariff". The basic tariff, explains the directive, is that for letters up to 20 grams.

Turning to international mail, the directive states that outgoing cross-border traffic, which it claims is effectively already liberalised in most member states, will be excluded from the reserved services. But incoming cross-border mail might continue to be reserved until December 31 2000 if this is "necessary for the financial viability of the universal service provider".

The same could apply to so-called direct mail: advertising and marketing material. However, the directive also states that "the Commission will decide by June 30 1998 whether it is appropriate to keep direct mail and incoming cross-border mail in the reserved area even after December 31 2000".

The directive defines targeted service quality levels for cross-border services covering "standard items of mail in the fastest standard service category". Member states, it says, should be able to provide a transit time of three working days from the date of posting in the country of origin to the date of delivery in the country of destination (D+3) for 90 per cent of items dispatched and five working days (D+5) for 99 per cent.

Public consultation over the contents of the draft directive was due to be completed at the beginning of this month, with the proposals then passed on for consideration by various European Parliament committees. Postal industry observers believe it could take at least two years before any measures are agreed and actually implemented. Meanwhile, the EC's competition directorate, DG4, has drawn up a draft notice, as opposed to a directive, which proposes even greater liberalisation of postal services. And postal industry sources claim that DG4 has indicated it may publish that notice if the draft directive fails to make sufficient progress through the European Parliament by the end of this year.

Further complicating the overall picture as far as European postal services are concerned are efforts by the 39-member PostEurop organisation to improve quality standards as part of their draft so-called Reims (Remuneration of Exchange of International Mails) agreement covering delivery of cross-border mail. "Their proposals include linking terminal dues to the quality of service performance against target," explained Mr Chris Stevens, senior consultant for postal and mail services with Triangle Management Services.

The target date for implementation of the Reims agreement is January 1997. At the time of writing it had still to be ratified by all the members – and the agreement calls for unanimous adoption.

> The uncertainty is worrying some of the big users

Mr Colin Mitchell, chairman of the European Mail and Express Service Users Association (Emesua) and managing director of consultants Reigate Management Services, said that from the users' point of view, the EC draft directive was "moving things in the right direction".

"However, the directive does not qualify the standards of postal service which should apply in individual countries," he added. "It also does not address the imposition of financial penalties under the Reims agreement where there is a failure in cross-border services."

The resulting uncertainty is worrying big users of such services who fear some of the changes being talked about could lead to sharp increases in cross-border postal costs for mail items such as newspapers and periodicals. Users are also concerned that Europe might see the establishment of regional postal delivery rates for international mail, with prices varying between countries.

■ The UK Post Office: by Tim Burt

An awkward position

Pre-tax profits last year rose to £472m. But the funds available to spend on new services have been reduced by the government's decision to skim off two-thirds

The ambition of Britain's *state-run* Post Office is plain to see in the foyer of its London headquarters. A glass-mounted mission statement says it wants "to be recognised and respected as the world's leading provider of profitable, high quality postal services".

In his executive suite on the top floor, Mr John Roberts, *the Post Office chief* executive, is rather more pragmatic. After almost 30 years working his way up the organisation, he is keenly aware of the group's potential and its limitations.

While the Post Office certainly has the expertise and facilities to match its European rivals, its ability to challenge them head-on has been severely limited by the demands of its single shareholder – the government.

Senior Post Office executives have been doubly disappointed by the Conservative administration. Firstly, it failed to persuade its own backbench MPs to support privatisation – the key to becoming a truly independent business. Secondly, the gov*ernment has* increased the so-called external finance limit – the share of profits paid to the Treasury – from £534m to £925m over the next three years.

Mr Roberts is not as forthright as Mr Bill Cockburn, his predecessor, who spoke candidly of his frustration before his departure last year to retailers W.H. Smith. The new chief executive says diplomatically: "We are in a position that we would prefer not to be in."

The position is this: after three years of uncertainty over privatisation, the Post Office has been told it will remain a state-run enterprise. However, it has been granted greater commercial freedoms over capital expenditure and introducing products. Yet the funds available to spend on new services have been reduced by the government's decision to skim off two-thirds of its profits before tax.

Pre-tax profits rose last year to £472m. In total, the group has contributed more than £1.25bn to the Treasury over the past 10 years.

To meet the demands of the Treasury, the Post Office will probably have to seek further cost savings, reassess its capital expenditure plans and, most controversially, increase prices for first and second class letters, currently 25p and 19p respectively.

It also faces an increased competitive threat from the privatised Dutch postal service, which is establishing bulk mail operations in the UK, and a fierce market place in express parcel deliveries, where its Parcelforce subsidiary has yet to report a profit.

Such challenges have increased the pressure on the Post Office to exploit the commercial freedoms granted by the government last year. Of those freedoms, the decision to abolish limits on capital spending has enabled the Post Office's three main operating arms – Royal Mail, Post Office Counters and Parcelforce – to embark on significant investment schemes.

At the Royal Mail, £200m is being spent on a new sorting and delivery system developed by AEG, which will speed up mail processing and cut costs.

Post Office Counters, the subsidiary which operates almost 20,000 outlets, is spending a further £150m on computer automation that will enable it to simplify benefit payments for the Department of Social Services. It should also provide a system for selling financial products such as life insurance. Already, the division offers bureaux de change services and international money transfers.

Royal Mail's reputation among customers is high. The group runs more than 180 Post Bus routes

Parcelforce, probably the business facing the toughest competition, has invested some £15m in a new "track and trace" facility, and is exploring ways of extending its presence overseas.

Mr Roberts suggests these projects point to a new vibrancy at the Post Office following the privatisation uncertainty. "We have been through a difficult time. But we are coming out of that and establishing a different agenda."

His priorities are to refine the Post Office's long-term strategic aims; further exploit new technology; improve customer relations; and sell the idea of change and flexible working to the group's 190,000 employees.

Achieving this basic manifesto is more important than the more visible challenges from overseas and domestic competitors. But the Post Office would like further commercial freedoms such as a relaxation on borrowing limits to realise its ambitions.

The group's reputation among customers is generally high, although recent unofficial strikes have dented public confidence in some areas. That raises the thornier issue of how to persuade a unionised workforce to accept new terms and conditions. A deal has been signed at Parcelforce *after nine months of talks; negotiations* are still continuing at the Royal Mail.

Mr Roberts wants to see more teamworking and flexible rostering, themes already adopted by some privatised European rivals. He admits it will not be easy.

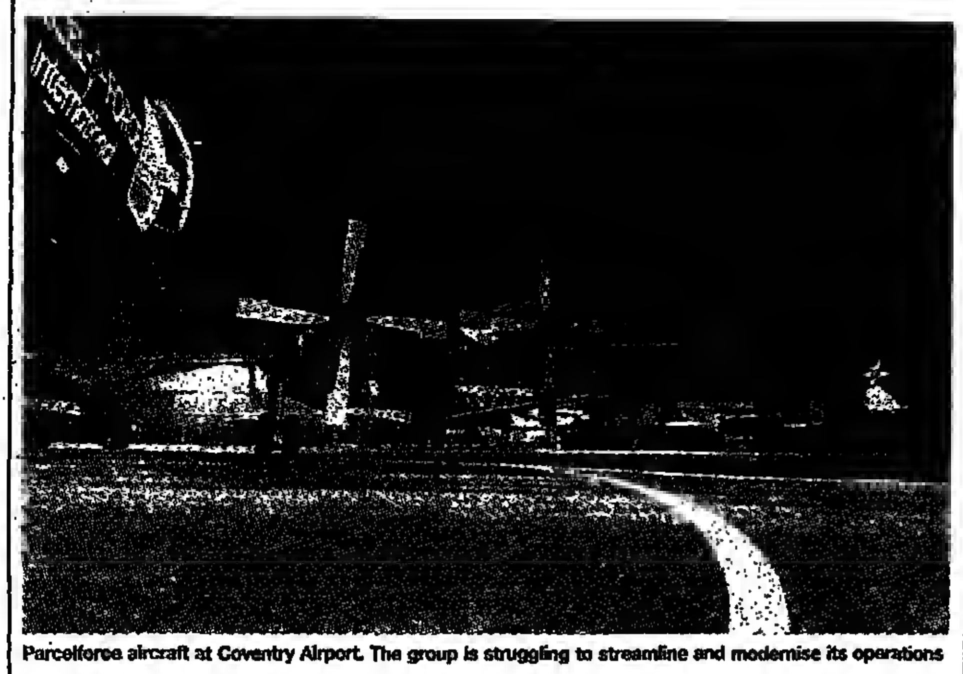
"There is more for us to do in the way we look after people. When you run an organisation like this you have to make sure you take the employees with you."

But he does not feel left in the slow lane by overseas competitors. Indeed, the British Postal Consultancy Service, which sells postal management advice internationally, last year picked up contracts in Kuwait, Poland and Romania. Software developed for the Post Office has also been sold to Telekom, the South African telecommunications company.

Aware of the globalisation of postal services, the Post Office has established a presence in the US, where Metromail – its joint venture partner – sorts and bags bulk mail bound for Britain and continental Europe. It could yet expand that model in Europe, although senior managers are awaiting a European Commission statement on postal deregulation before making a final decision.

The Post Office clearly has international horizons. But marrying state ownership with commercial enterprise at home remains the priority. "The issue for us," says Mr Roberts, "is not whether to privatise but how to get the best out of commercial freedom."

PROFILE Parcelforce



Parcelforce aircraft at Coventry Airport. The group is struggling to streamline and modernise its operations

Signs of progress

Parcelforce, Britain's largest express parcels company, is an underperforming giant. With more than 32 per cent of the market for mail order parcels and the largest vehicle fleet of any UK operator, the Post Office subsidiary should be generating healthy profits. It is not.

Although it handles 650,000 packages a day – far more than its nearest competitor – the organisation last year saw pre-tax losses increase from £19m to £29m. Sales, moreover, fell from £498m to £481m.

Sir Michael Heron, the Post Office chairman, is frank about its problems. "It remains the business of greatest concern to the board," he says. "Our aim is to reduce its losses through a programme of major reorganisation, considerable cost reduction and a gradual improvement in winning new contracts."

Putting that plan into practice could prove difficult given that, by Sir Michael's own admission, Parcelforce's main market is declining while others remain highly competitive.

Clearly, it is not easy to embark on a root-and-branch restructuring in a domestic marketplace boasting 4,000 rival services and where overseas distributors are building a presence.

Nevertheless, Parcelforce is *showing signs of progress* as it struggles to streamline and modernise its operations.

Mr Kevin Williams, Parcelforce managing director, says last year's losses were the nadir of the group's fortunes. Indeed, the business would have shown an improvement in the 12 months to March 26 last year, had it not been for an £18m exceptional reorganisation charge. That enabled Parcelforce to cut staff, close surplus depots and reorganise itself into eight geographic units in order to meet the challenge from domestic and overseas competitors.

"We are beginning to see the benefits of paying more attention to our cost base and have secured an important new deal with the workforce for flexible working," says Mr Williams.

It has been a slow and painful process. Negotiations with the Communication Workers Union lasted more than nine months, while government prevarication over privatisation hampered much-needed investment decisions. This is the crux of Parcelforce's problem. It is a big participant but, until comparatively recently, an inefficient one.

Although the management understands the action needed, it has been trying to restructure the business with one hand tied behind its back. The three-year uncertainty caused by possible privatisation disrupted much-needed investment programmes at Parcelforce.

The sharp increase, meanwhile, in the Treasury levy has drained reserves that would otherwise have been available for investment. Still, Parcelforce has been able to spend £16m in the past two years on "track and trace", a barcoding parcel management system that enables customers to monitor deliveries.

Following the government's decision last year to grant greater commercial freedom to the Post Office, Parcelforce has expanded other innovative services such as Euro-48, a two-day delivery operation serving 18 European countries. It has also entered partnerships with six private sector carriers in Europe to expand its international network, a key growth area. Volumes overseas are growing annually at 15 per cent, *against 8* per cent at home.

> Volumes overseas are growing annually at 15 per cent

A further £19m investment in its Liverpool sorting centre and a £7m development at Camden in north London has also enhanced efficiency.

Mr Williams predicts that all this will enable Parcelforce to break even this year, ending five years of successive losses. "We have recovered in the past year and we think we are now up with the best of our competitors."

Those competitors, however, claim that Parcelforce has survived only by drawing on cross-subsidies from other parts of the Post Office, such as Royal Mail, and through predatory pricing. "We wanted to see Parcelforce privatised so it would no longer be able to rely on more profitable bits of the Post Office," says Mr Torquil Montague-Johnstone, finance director of Business Post, the rival parcels group. He cast doubts on the impact of Parcelforce's efficiency measures, suggesting it would take some time before it matched the 17.3 per cent profit margins enjoyed at Business Post.

His view is echoed at Securicor Distribution Services, arguably the main domestic challenger to Parcelforce. Mr Denis Norton, marketing director, claims that the Post Office subsidiary receives an unfair pricing advantage because it is VAT-exempt. "They can therefore charge less than companies which are VAT registered," he says.

Their claims are rejected by Parcelforce. "I would reject all those allegations. There are many cases where we have lost to rivals on price, and there is no truth in what they say about cross-subsidies," replies Mr Williams.

Last year's Post Office report and accounts, however, show that Parcelforce received a "group finance loan" of £198m, up from £184 in the previous year. The increase, moreover, virtually matches the rise from £17m to £30m in Parcelforce's operating losses. While the financial help clearly irks competitors, such inter-company loans are commonplace in private industry where fast-growing businesses need hefty capital investment.

As part of that investment, Parcelforce has linked some 2,000 vehicles to its Cabcom system – extending computer tracking to truck cabs – and developed a "despatch manager" package which offers customers day-to-day despatch summaries.

Such innovations should enable Parcelforce to cement its overwhelming dominance of the UK parcel distribution market. Its ability to do so overseas is probably more limited given the intense competition posed by international rivals such as UPS and DHL.

If the business can extract the maximum benefit from more efficient working practices and win big new contracts, it should see off challenges in its home market and move into profit.

"Parcelforce is fighting back, with its long-term future confirmed," says Mr Williams. "The challenge we now face is to continue to satisfy customer demands in a fiercely competitive market."

Tim Burt

■ Document exchanges: by Phillip Hastings

Operators prepare for expansion

The exchanges are in effect mail clubs, specialising in the delivery of time-sensitive documents, for businesses and professions

Development of European document exchanges could accelerate if current European Commission proposals for deregulating postal services are implemented as expected. In particular, leading operators hope they will soon be able to start expanding their generally still fairly limited cross-border activities.

"I am absolutely sure we are going to see more expansion of European document exchange operations," claimed Mr Henry Seymour, a director of the Association of European Document Exchanges (AEDE).

Consultants specialising in postal and express industry issues tend to go along with that optimism. "I think there will be great opportunities for document exchanges to develop, certainly in key European markets where domestic mail delivery to the door is expensive and the quality of service is patchy," said Mr Chris Stevens, senior consultant on postal and mail services with Triangle Management Services.

Some observers suggest such opportunities might encourage certain courier-express companies to consider moving into the European document exchange service sector. However, existing operators claim it is unlikely there will be many additions to the very small number of companies in that field.

"We have been operating in this market for 20 years – and it takes a lot of work to put a *network in place and market* the service," commented Mr Robert Morgan, the divisional managing director of leading UK operator Hays Document Exchange (formerly Britdoc).

"I cannot really see couriers and express parcel carriers readily turning round and setting up large document exchange networks."

Document exchanges are in effect mail clubs, specialising in the delivery of time-sensitive documents, for businesses and professions. The club "members" pay an annual subscription to join. Hays, for example, charges a minimum annual fee of £200, plus negotiated additional rates based on how many documents individual members put through the system. Charges per document are typically 30-60 per cent of the rate for sending them by first class post.

Subscribers deliver and pick up their own mail at local collection and delivery points called exchanges which are basically mail boxes located on the premises of a "host" company. The domestic transportation of documents between those exchanges, so-called "interlinking", is generally carried out by sub-contracted or franchised courier companies. Longer distance linehaul operations within the UK and to and from other European centres can include the use of air transport. Hays, for example, co-loads some traffic on overnight freighter flights carrying courier and express traffic.

To date, however, document exchange services in Europe remain predominantly national operations within individual countries.

Two leading factors have held back the development of document exchanges on a pan-European basis: uncertainty over the final shape of future EC rules covering postal ser*vices for the EU as a whole*, and the varying legal position of document exchange-type services in different countries.

As far as the EC rules issue is concerned, document exchange operators are hoping that their two key concerns – the scope of so-called "reserved" services which will remain within post office monopolies and the freedom to interlink between exchanges – have been resolved in their favour.

"We appear to have won the battle on the first point: the current EC draft directive on postal services puts document exchanges outside the reserved services," said Mr Seymour.

"We also think we are OK on the second point although we have asked the EC to just spell that out a little more clearly. Just incorporating the word 'interlinking' in the directive would do."

The actual wording of the draft directive states that "...document exchanges do not form part of the universal service and consequently there is no justification for their being reserved to the universal *service providers*".

The directive defines document exchanges as the "delivery of mail by the senders to ad hoc exchange centres in which correspondents have designated boxes where they can come to retrieve their mail". Users of an exchange centre, it adds, must belong to a group of subscribers to that service.

However, while document exchange operators hope that they have successfully argued their case at EC level, they still have to contend with a variety of different national postal service regulations. In some countries, for example, it is legal to exchange documents within one centre but possibly illegal to move that traffic between different centres.

"There have been a lot of prosecutions of private document delivery companies, particularly in Germany," commented Mr Seymour, who in addition to his AEDE role, is also chairman of Hays Document Exchange. "Last year, my own company was taken to court by the Belgian post office which claimed that what we were d*oing* breached their monopoly on postal services. But we won the case hands down."

Document exchange operators point out that if any individual European country does successfully outlaw their type of operation, current liberalisation of EU cross-border mail services could produce certain damaging anomalies. For example, they suggest, operators could end up in a situation where it was legal to send documents internationally via a document exchange system, say between Paris and Brussels, but illegal to move those same documents within one country, for example between Paris and Lyon in France.

Existing document exchange services are primarily geared to handling time-sensitive documents for particular business sectors. In the UK, for example, Hays reports that nearly half its 28,000 subscribers in the UK and Republic of Ireland are from the legal, judicial and law enforcement professions.

Other big users include financial institutions such as banks and building societies, and the health sector. In addition to the UK, Hays has a well-established business in Belgium, where it has been present for 14 years, and an "embryo" operation in France. It also recently acquired the Irish document exchange in Dublin and is currently looking at securing licences to operate in other north European countries.

The exchange operations in the UK, Ireland, France and Belgium are linked via overnight air services, enabling Hays to offer international document delivery for subscribers in those countries. The UK document *exchange also* "interlinks" with similar operations in Hong Kong, Australia, New Zealand, South Africa and, on a small scale, the US.

Robert Morgan: 'It takes a lot of work to put a network in place'

■ The mailroom: by Jane Martinson

Area is ripe for outsourcing

Recent forecasts of rapid growth in the market have encouraged a crop of companies specialising in mailroom management

The outsourcing zeal of many European companies is increasingly turning to mailrooms.

In the UK, which has a reputation for outsourcing enthusiasm rivalled only by that of North America, a survey of facility managers at the British Institute of Facility Managers' annual conference last November found that office services such as mailrooms were considered the most likely area to be outsourced over the next five years.

Only 8 per cent of the 75 responding to the survey commissioned by Pitney Bowes Management Services (PBMS) had outsourced their office services in the past five years, compared with 62 per cent which had contracted out catering facilities.

Ms Mary Paterson, development manager at the Royal Mail's separate mailroom division, says that the market, currently worth between £80m and £100m, is set to grow to between £250m and £550m in the next five to 10 years.

Such forecasts have encouraged a crop of companies specialising in mailroom management. As well as national postal services throughout Europe such as the Royal Mail, contractors and equipment suppliers have also set up mailroom divisions in the past year.

The reasons given for contracting out mailroom services are similar to those given for other types of outsourcing: to cut costs and improve service. A company which specialises in a particular service has greater expertise, greater buying power and greater flexibility to move staff around than the related in-house service.

In the PBMS survey, 57 per cent of respondents gave cost savings as the reason to contract out. Royal Mail, which has been operating its contract Mail Management and Consultancy service for about 18 months, estimates that cost savings of up to 20 per cent are possible by contracting out a mailroom.

Mr Rob Buckley, head of the competition unit of the Benefits Agency in the north-east of England says that the annual running costs of the agency's mailrooms have been cut by £2m to £3.5m because of contracting out to Royal Mail.

The arguments over cost savings are not clear-cut, however. The cost savings are usually achieved by cutting jobs. Improved technology and more efficient working practices (which can be as simple as changing the layout of the mailroom) are used to reduce the number of people employed. However, Mr Michael Oppenheim, marketing and sales manager of PBMS, an offshoot of the US office equipment manufacturer, says: "We can often do the job with fewer people but that doesn't mean fewer jobs as we can transfer them to vacancies in other firms."

Outsourcing companies are constrained by Transfer of Undertakings (Protection of Employment) regulations (Tupe) whereby a new employer must continue an employee's existing employment rights, including remuneration, holiday entitlement and any other benefits. These rights do not apply when the employee is on a temporary contract, however.

Perhaps for this reason many companies believe that mailroom management makes most sense because of the efficiencies and service improvements which can be introduced. Mr Derek Fairhurst, account manager for the *Royal Mail* service, says: "Two things – cost savings and service improvement – encourage companies to contract out. But in our experience it is improvement to the service which is the most important reason."

Mr Fairhurst manages Royal Mail's largest contract to date – dealing with the BBC's London post, estimated at 50,000 letters a day. By using Royal Mail's extensive sorting office space Mr Fairhurst aims to deliver opened letters to individual desks between one and two hours before their previous delivery time. Most of Royal Mail's clients are in the public sector where there is a drive to put out to tender work which is not considered part of its core business. Confidentiality for such contracts is important. There are safeguards.

> Royal Mail is subject to the Official Secrets Act

Royal Mail employees all sign up for the same code which binds civil servants, making the disclosure of personal information a criminal offence. As a government body, Royal Mail is also subject to the Official Secrets Act, says Mr Buckley. The post is opened in a secure area and any letters marked for an individual's personal attention are delivered unopened.

Fears about security are one of the reasons why companies tend to keep control of this non-core area. "The mailroom is a critical interface between a company and its customer," says Mary Paterson at Royal Mail.

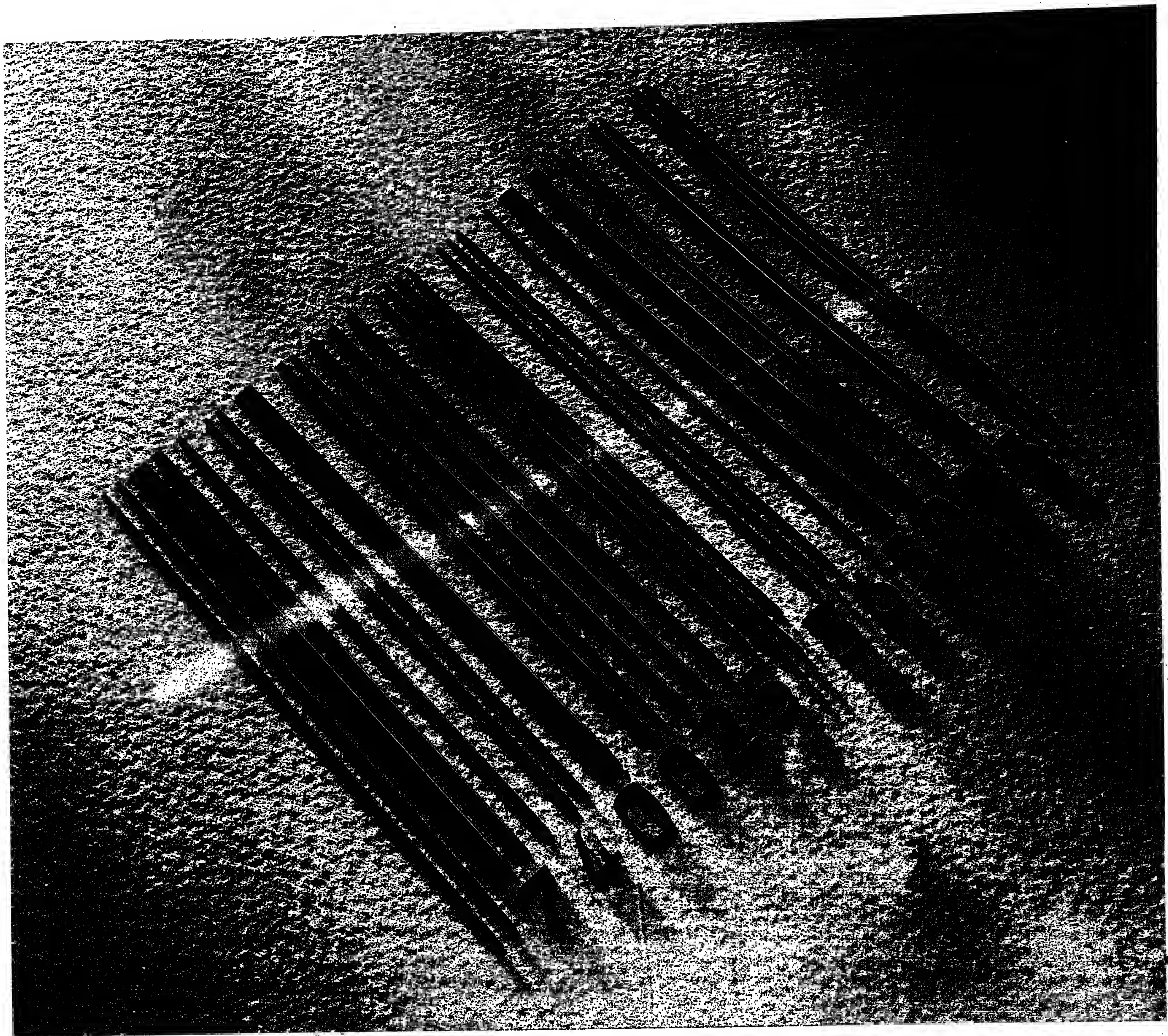
Omega Partners, strategic consultants, conducted research into mailroom outsourcing in Canada and Europe in the past three months which, it says, confirms that the market is a relatively new one in Europe but growing. Mr Robert Mark, consultant, suggested that while there was some uncertainty at the beginning over employment, there were advantages to the situation for employees. These mostly relate to a new career structure.

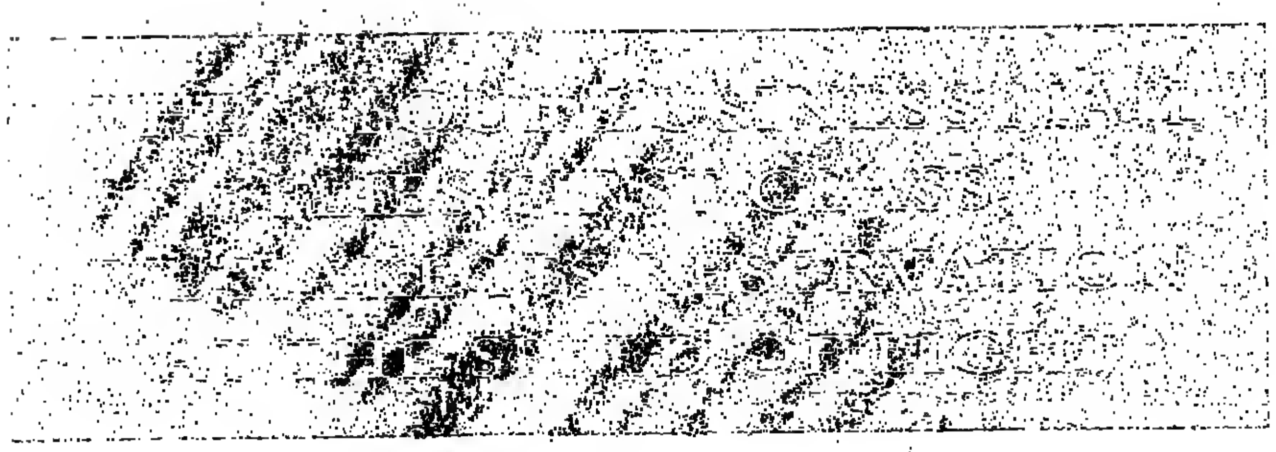
Legal firms and companies in financial services are the main customers for PBMS, which offers a selection of other office services such as photocopying to some of its seven clients. The company hopes to replicate its US growth in Europe by using the UK as a "launch pad", according to Mr Oppenheim. In the 10 years since it started in the US, PBMS has grown into a company which employs 8,500 people.

While the UK is regarded as a leading proponent of outsourcing, several continental European companies offer the service. In the Netherlands, Mailprofs, an offshoot of PTT Post, the partly-privatised postal service, has been providing an outsourcing service for four years. The company is a joint venture with Vedior, a manpower services agency which provides temporary, trained cover for the work involved.

Mr Jack Vlieland, general manager of Mailprofs, said the company was formed because of demand from US companies based in Holland. He predicted slow growth for such contracting out in the Netherlands.

Companies which refuse to believa that their post can best be sorted and delivered by outside concerns have alternative options. Most of the service providers also provide a basic consultation service to advise companies how to improve their mailrooms.





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